

Summary - A resolution authorizing the issuance and sale of economic development revenue bonds for Goodwill Industries of Southern Nevada, Inc.

RESOLUTION NO. R-37-2005

A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF THE CITY OF LAS VEGAS, NEVADA VARIABLE RATE DEMAND ECONOMIC DEVELOPMENT REVENUE BONDS (GOODWILL INDUSTRIES OF SOUTHERN NEVADA PROJECT) SERIES 2005 TO FINANCE THE COSTS OF ACQUIRING A PARCEL OF LAND AND CERTAIN FACILITIES FOR GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.; AUTHORIZING THE EXECUTION AND DELIVERY BY THE CITY OF A LOAN AGREEMENT, INDENTURE OF TRUST, BOND PURCHASE AGREEMENT, CLOSING DOCUMENTS AND SUCH BONDS IN CONNECTION THEREWITH; MAKING DETERMINATIONS AND FINDINGS AS TO OTHER MATTERS RELATED TO SUCH FINANCING; AND REPEALING ANY ACTION HERETOFORE TAKEN IN CONFLICT HEREWITH.

WHEREAS, the City of Las Vegas, Nevada (the "City") is authorized by the City Economic Development Revenue Bond Law, Nevada Revised Statutes Sections 268.512 to 268.568, inclusive (the "Act"), to issue bonds to finance projects located within the City or within ten miles of the corporate boundaries of the City to promote the social welfare of the residents of the City by enabling "corporations for public benefit" (as defined in the Act) to acquire, develop, expand and maintain facilities that provide services for those residents; and

WHEREAS, the Act authorizes the City (i) to issue its revenue bonds for the purpose of defraying the cost of financing any project and all incidental expenses incurred in connection with the issuance of such bonds, (ii) to enter into financing agreements with others for the purpose of providing revenues to pay the bonds authorized to be issued under the Act and upon such terms and conditions as the City Council of the City may deem advisable, and (iii) to secure the payment of the principal of, premium, if any, and interest on such bonds as provided in the Act; and

WHEREAS, Goodwill Industries of Southern Nevada, Inc., a nonprofit corporation duly organized and existing under the laws of the State of Nevada (the "Corporation"), has requested that the City issue its revenue bonds pursuant to the Act to finance the costs of the acquisition of a parcel of land and a building located on such parcel of land and the acquisition and installation of personal property and facilities in such building and on such land (the "Improvement Project"); and

WHEREAS, the Improvement Project will be owned by the Corporation, will be used as its administrative headquarters and a retail processing facility and will be located in the City of North Las Vegas, Nevada, within ten miles of the corporate boundaries of the City; and

WHEREAS, the City has determined to issue its Variable Rate Demand Economic Development Revenue Bonds (Goodwill Industries of Southern Nevada Project) Series 2005 (the "Bonds") in the aggregate principal amount of \$9,645,000 pursuant to an Indenture of Trust dated as of April 1, 2005 (the "Indenture") between the City and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), to provide proceeds for a loan to be made to the Corporation, pursuant to a Loan Agreement dated as of April 1, 2005 (the "Loan Agreement") between the City and the Corporation, to pay a part or all of the cost of the Improvement Project, to pay interest on the Bonds for a period estimated to be one year and to pay certain costs of issuance incurred in connection with the issuance of the Bonds; and

WHEREAS, payment of the principal of and interest on the Bonds, and the purchase price of the Bonds upon optional and mandatory tender, will be supported by an irrevocable transferable direct pay letter of credit (the "Letter of Credit") from Nevada State Bank (the "Bank"), the beneficiary of which is the Trustee; and

WHEREAS, the issuance of the Bonds by the City to finance the cost of the Improvement Project will enable or assist the Corporation in carrying out the purposes for which it was created, including the operation of its administrative headquarters and retail processing facility; and

WHEREAS, there has been submitted to the City an application of the Corporation requesting the City to issue the Bonds (the "Application"); and

WHEREAS, the Application contains a schedule of the estimated costs of the Improvement Project and the other estimated uses of the proceeds of the Bonds and financial and other information with respect to the Bank; and

WHEREAS, pursuant to the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), the City Council has caused to be published notice of a public hearing and has held a public hearing in connection with the Improvement Project and the Bonds; and

WHEREAS, pursuant to the Act, the City Council has determined to make certain findings in connection with the Improvement Project and the financing thereof; and

WHEREAS, there have been presented to the City Council (i) the proposed form of the Loan Agreement, including, as Exhibit C thereto, the proposed form of the promissory note (the "Note") of the Corporation, (ii) the proposed form of the Indenture, (iii) the proposed form of the Bond Purchase Agreement to be dated the date of the sale of the Bonds (the "Purchase Contract") among the City, the Corporation and Zions First National Bank (the "Underwriter"), (iv) the proposed form of the Official Statement (the "Official Statement") relating to the Bonds, and (v) the proposed form of the Letter of Credit.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LAS VEGAS, NEVADA:

Section 1. All action (not inconsistent with the provisions of this resolution) heretofore taken by the City Council and the officers, employees and agents of the City directed toward the financing of the cost of the Improvement Project and the issuance and sale of the Bonds therefor be, and the same is hereby, ratified, approved and confirmed.

Section 2. The City Council has held a public hearing pursuant to NRS 268.528 and the Code on April 6, 2005 at the Council Chambers, 400 Stewart Avenue, Las Vegas, Nevada. An affidavit of publication of the notice of the hearing is attached hereto as Exhibit B. The minutes of the public hearing are attached hereto as Appendix C.

Section 3. Pursuant to NRS 268.530, the Council hereby determines as follows:

(a) Based on information from the Corporation contained in the Application, the total amount of money necessary to be provided for the Improvement Project by the issuance of the Bonds by the City shall not exceed \$11,000,000.

(b) The City Council has received a 5-year operating history from the Bank in the Application. Based upon a commitment letter from the Bank which is contained in the Application, the payment of the principal of and interest on the Bonds will be supported by the Letter of Credit from the Bank and, therefore, the Bank will be an enterprise which guarantees principal and interest payments on the Bonds.

(c) The City has received evidence in the Application that the Bank has received within the 12 months preceding the date of the public hearing a rating within the top four rating categories by either Moody's Investors Service or Standard and Poor's Rating Services.

(d) Based upon information from the City's special financial consultant for this transaction which is a part of the Application, the Corporation has sufficient financial resources to place the Improvement Project in operation and to operate the Improvement Project, meeting the obligations of the Loan Agreement.

(e) Based upon information from the Corporation in the Application, the Improvement Project will provide a public benefit.

(f) Based upon information from the Corporation contained in the Application, the Improvement Project will be compatible with existing facilities in the area adjacent to the location of the Improvement Project and is compatible with the general plan of the City of North Las Vegas, Nevada adopted pursuant to Chapter 278 of NRS.

(g) The Improvement Project will encourage the creation of jobs for the residents of the State of Nevada.

(h) Sufficient safeguards are provided in the financing documents authorizing the issuance of the Bonds to assure that all proceeds of the Bonds will be expended solely for the purposes of the Improvement Project and the other purposes permitted by such financing documents.

Section 4. For the purposes of Section 147(f) of the Code, the City Council hereby approves the Bonds and the Improvement Project, including the following information regarding the Improvement Project: the Improvement Project consists of the acquisition of a parcel of land and a building located on such land and the acquisition and installation of personal property and facilities in such building and on such land. The Improvement Project will be owned by the Corporation and used as its administrative headquarters and a retail processing facility and will be located at 1280 W. Cheyenne Avenue, North Las Vegas, Nevada. The City Council hereby

determines that the Improvement Project will promote the social welfare of the residents of the City by enabling the Corporation to acquire and construct the Improvement Project which will, among other purposes, provide services for the residents of the City. The City Council hereby determines that it desires the City to proceed with the issuance of the Bonds and the financing of the Improvement Project.

Section 5. The City shall finance the cost of the Improvement Project by loaning the proceeds of the Bonds to the Corporation in accordance with the provisions of the Loan Agreement.

Section 6. To defray the cost of the Improvement Project (including certain incidental expenses incurred in issuing the Bonds), there is hereby authorized and created an issue of economic development revenue bonds designated "City of Las Vegas, Nevada Variable Rate Demand Economic Development Revenue Bonds (Goodwill Industries of Southern Nevada Project) Series 2005" in the aggregate principal amount of \$9,645,000. The Bonds are issuable as fully registered bonds in denominations of \$100,000 and \$5,000 multiples in excess thereof while bearing interest at the Weekly Interest Rate (as defined in the Indenture) and in denominations of \$5,000 and integral multiples thereof while bearing interest at the Fixed Interest Rate (as defined in the Indenture). The Bonds shall be dated as provided in the Indenture and shall bear interest from such date payable on each Interest Payment Date (as defined in the Indenture).

From the date of their initial delivery through the next succeeding Wednesday, the interest rate on the Bonds shall be that rate per annum as shall be established in the Indenture. Thereafter, except as provided in the Indenture, the Bonds shall bear interest at the Weekly Interest Rate. On any Interest Period Reset Date (as defined in the Indenture) on or after July 1, 2005, the interest rate on the Bonds may be converted to the Fixed Interest Rate (as defined in the Indenture) upon written direction from the Corporation, in the manner provided in the Indenture and determined by the Remarketing Agent, initially Zions First National Bank, according to the standards and procedures set forth in the Indenture.

Notwithstanding the foregoing, the rate of interest on the Bonds shall not at any time exceed 12% per annum. The Bonds shall mature on April 1, 2030. The Bonds shall be payable, shall be subject to redemption and purchase prior to maturity and shall be in substantially the

form provided in the Indenture. Pursuant to the Purchase Contract, the Bonds shall be sold at a negotiated sale to the Underwriter at the purchase price equal to 98.25% of the principal amount thereof.

Section 7. The following determinations and findings are hereby made in accordance with Sections 268.548, 268.550 and 268.558 of the Act:

(a) The maximum amount reasonably anticipated to be necessary in each year to pay the principal of and the interest on the Bonds is as follows:

Annual Period to and Including April 1	Maximum Interest for Such Period	Principal to be Retired in Such Period	Maximum Annual Debt Service Requirement
2006	\$1,116,178*	\$-0-	\$1,116,178*
2007	\$1,157,400	-0-	\$1,157,400
2008	\$1,157,400	-0-	\$1,157,400
2009	\$1,157,400	-0-	\$1,157,400
2010	\$1,157,400	-0-	\$1,157,400
2011	\$1,157,400	-0-	\$1,157,400
2012	\$1,157,400	-0-	\$1,157,400
2013	\$1,157,400	-0-	\$1,157,400
2014	\$1,157,400	-0-	\$1,157,400
2015	\$1,157,400	-0-	\$1,157,400
2016	\$1,157,400	-0-	\$1,157,400
2017	\$1,157,400	-0-	\$1,157,400
2018	\$1,157,400	-0-	\$1,157,400
2019	\$1,157,400	-0-	\$1,157,400
2020	\$1,157,400	-0-	\$1,157,400
2021	\$1,157,400	-0-	\$1,157,400
2022	\$1,157,400	-0-	\$1,157,400
2023	\$1,157,400	-0-	\$1,157,400
2024	\$1,157,400	-0-	\$1,157,400
2025	\$1,157,400	-0-	\$1,157,400
2026	\$1,157,400	-0-	\$1,157,400
2027	\$1,157,400	-0-	\$1,157,400
2028	\$1,157,400	-0-	\$1,157,400
2029	\$1,157,400	-0-	\$1,157,400
2030	\$1,157,400	\$9,645,000	\$10,802,400

* Assumes the Bonds are issued on April 14, 2005.

(b) No reserve fund has been established nor is proposed to be established for the retirement of the Bonds or the maintenance of the Financed Facilities (as defined in the Loan Agreement) and accordingly it shall not be necessary to pay amounts into any such reserve fund.

(c) The terms under which the Improvement Project is to be financed provide that the Corporation shall maintain the Financed Facilities and carry all proper insurance with respect thereto.

(d) The revenues payable under the Loan Agreement and the Note are sufficient to pay, in addition to all other requirements of the Loan Agreement and this resolution, all sums referred to in paragraphs (a) and (c) of this Section.

Section 8. The forms, terms and provisions of the Loan Agreement, the Note, the Indenture, the Letter of Credit and the Purchase Contract be and they hereby are approved, and the City shall enter into the Loan Agreement, the Indenture and the Purchase Contract in the form of each of such documents presented to the City Council at this meeting, with only such changes therein as are not inconsistent herewith; and the Mayor is hereby authorized to execute and deliver the Loan Agreement and the Indenture; and the City Clerk and any Deputy City Clerk of the City are each hereby authorized to affix the City seal to and to attest the Loan Agreement and the Indenture. The Mayor and the City Clerk and any Deputy City Clerk of the City are each hereby authorized to execute and deliver the Purchase Contract. The City shall assign the Note to the Trustee, and the Mayor and the City Clerk and any Deputy City Clerk of the City are each hereby authorized to execute the assignment form on the Note.

Section 9. The form, terms and provisions of the Bonds, in the form contained in the Indenture, be and they hereby are approved, with only such changes therein as are not inconsistent herewith; and the Mayor and the City Clerk of the City are each hereby authorized to execute the Bonds, by manual or facsimile signature, and each is authorized to deliver the Bonds; and the seal of the City, or a facsimile thereof, is hereby authorized to be affixed to the Bonds.

Section 10. The Bank of New York Trust Company, N.A., is appointed as trustee under the Indenture, thereby also serving as registrar and paying agent for the Bonds under the

terms of the Indenture. Zions First National Bank is appointed as remarketing agent under the Indenture to determine the interest rate on the Bonds and to perform certain other duties, all in accordance with the Indenture.

Section 11. The distribution of the Official Statement in substantially the form presented to the City Council at this meeting in connection with the offering and sale of the Bonds is hereby ratified and approved; provided, however, that neither the City nor any officer, employee or agent thereof has or assumes any responsibility for the accuracy or completeness of the Official Statement.

Section 12. The officers, employees and agents of the City shall take all action necessary or reasonably required by the Loan Agreement, the Indenture and the Purchase Contract to effectuate their provisions and shall take all action necessary or desirable in conformity with the Act to finance the cost of the Improvement Project and for carrying out the transactions contemplated by this resolution, including without limitation the execution and delivery of any closing documents to be delivered in connection with the sale and delivery of the Bonds.

Section 13. The cost of financing the Improvement Project, including the costs incidental to the authorization, issuance and sale of the Bonds, will be paid out of the proceeds of the Bonds and funds of the Corporation, and the Bonds will not be the general obligations of the City, nor shall the Bonds, including the interest thereon, constitute the debt or indebtedness of the City within the meaning of the Constitution or statutes of the State of Nevada, nor shall anything contained in this resolution or in the Bonds, the Loan Agreement, the Note, the Indenture, the Purchase Contract, the Letter of Credit, the Official Statement or any other instrument give rise to a pecuniary liability or a charge upon the general credit or taxing powers of the City, nor shall the breach of any agreement contained in this resolution, the Bonds, the Loan Agreement, the Note, the Indenture, the Purchase Contract, the Letter of Credit, the Official Statement or any other instrument impose any pecuniary liability upon the City or a charge upon the general credit or taxing powers of the City, the City having no power to pay out of its general fund, or otherwise contribute any part of the cost of financing the Improvement Project, nor power to operate the Improvement Project as a business or in any manner, nor shall the City condemn any land or other property for the Improvement Project.

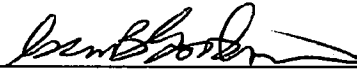
Section 14. After any of the Bonds are issued, this resolution shall be and remain irrevocable until the Bonds and the interest thereon shall have been fully paid, canceled and discharged.

Section 15. If any section, paragraph, clause, or provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this resolution.

Section 16. All bylaws, orders and resolutions, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order or resolution or part thereof.

Section 17. This resolution shall be in effect immediately upon its passage and adoption.

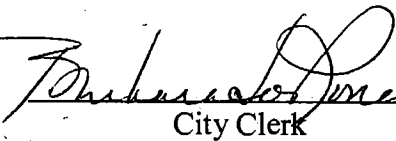
PASSED, ADOPTED AND APPROVED April 6, 2005.



Mayor

(SEAL)

Attest:


City Clerk

[illegible]

I, Barbara Jo Ronemus, the duly chosen, qualified and acting City Clerk of the City of Las Vegas, Nevada (the “City”), do hereby certify:

1. The foregoing pages constitute a true, correct and compared copy of a resolution (the "Resolution") passed and adopted by the City Council of the City at a regular meeting of the Council held on April 6, 2005.

2. The adoption of the Resolution was duly moved and seconded and the Resolution was adopted by an affirmative vote of a majority of the members of the City Council as follows:

Those Voting Aye:

Mayor: Oscar B. Goodman
Councilmembers: Gary Reese
Larry Brown
Lawrence Weekly
Michael Mack
Steve Wolfson
Lois Tarkanian

Those Voting Nay: NONE

Those Absent: NONE

3. The original of the Resolution has been approved and authenticated by the signatures of the Mayor of the City and myself, as City Clerk, and has been recorded in the regular official record of the City Council kept for that purpose in my office, which record has been duly signed by such officers and properly sealed.

4. All members of the City Council were given due and proper notice of the meeting. Pursuant to §241.020, Nevada Revised Statutes, written notice of the meeting was

given not later than 9:00 a.m. on the third working day before the meeting including in the notice the time, place, location and agenda of the meeting:

(a) By posting a copy of the notice at least three working days before the meeting at the principal office of the City Council, or if there is no principal office, at the building in which the meeting is to be held, and at least three other separate, prominent places within the jurisdiction of the City Council, to wit:

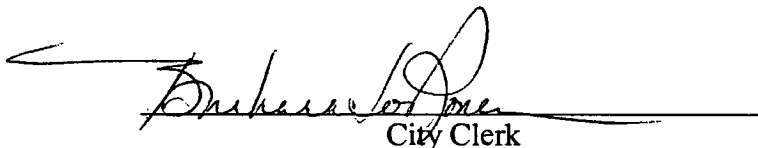
- (i) City Clerk's Bulletin Board
City Hall Plaza
2nd Floor Skybridge
Las Vegas, Nevada
- (ii) Court Clerk's Office Bulletin Board
City Hall Plaza
Las Vegas, Nevada
- (iii) Las Vegas Library
833 Las Vegas Boulevard North
Las Vegas, Nevada
- (iv) Clark County Government Center
500 South Grand Central Parkway
Las Vegas, Nevada
- (v) Grant Sawyer Building
555 E. Washington Avenue
Las Vegas, Nevada

and

(b) By mailing a copy of the notice to each person, if any, who has requested notice of the meetings of the City Council in the same manner in which notice is required to be mailed to a member of the City Council. Such notice was delivered to the postal service no later than 9:00 a.m. on the third working day prior to the meeting.

5. Upon request, the City Council provides at no charge, at least one copy of the agenda for its public meetings, any proposed ordinance or resolution which will be discussed at the public meeting, and any other supporting materials provided to the City Council for an item on the agenda, except for certain confidential materials and materials pertaining to closed meetings, as provided by law.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the City this April 6, 2005.


City Clerk

(SEAL)

EXHIBIT A

(Attach Copy of Notice of Meeting)



CITY COUNCIL AGENDA

COUNCIL CHAMBERS • 400 STEWART AVENUE • PHONE 229-6011

CITY OF LAS VEGAS INTERNET ADDRESS: <http://www.lasvegasnevada.gov>

OSCAR B. GOODMAN, MAYOR (At-Large) • COUNCILMAN GARY REESE, MAYOR PRO TEM (Ward 3)

COUNCIL MEMBERS: LARRY BROWN (Ward 4), LAWRENCE WEEKLY (Ward 5),

MICHAEL MACK (Ward 6), STEVE WOLFSON (Ward 2), LOIS TARKANIAN (Ward 1)

Facilities are provided throughout City Hall for the convenience of persons with disabilities. For meetings held in the Council Chambers, sound equipment is available for persons with hearing impairments. If you need an accommodation to attend and participate in this meeting, please call the City Clerk's office at 229-6311 and advise of your need at least 48 hours in advance of the meeting. The City's TDD number is 386-9108.

APRIL 6, 2005

Morning Session begins at 9:00 a.m.

Afternoon Session begins at 1:00 p.m.

ALL ITEMS ON THIS AGENDA ARE SCHEDULED FOR ACTION UNLESS SPECIFICALLY NOTED OTHERWISE.

THESE PROCEEDINGS ARE BEING PRESENTED LIVE ON KCLV, CABLE CHANNEL 2, AND ARE CLOSED CAPTIONED FOR OUR HEARING IMPAIRED VIEWERS. THE COUNCIL MEETING, AS WELL AS ALL OTHER KCLV PROGRAMMING, CAN BE VIEWED ON THE INTERNET AT www.kclv.tv. THE PROCEEDINGS WILL BE REBROADCAST ON KCLV CHANNEL 2 AND THE WEB THE WEDNESDAY OF THE MEETING AT 8:00 PM, AND ALSO ON FRIDAY AT 4:00 AM, SATURDAY AT 7:00 PM, SUNDAY AT 7:00 AM AND THE FOLLOWING MONDAY AT 1:00 PM.

DUPLICATE AUDIO TAPES MAY BE AVAILABLE AT A COST OF \$3.00 PER TAPE AND DUPLICATE VIDEO TAPES MAY BE AVAILABLE AT A COST OF \$5.00 PER TAPE THROUGH THE CITY CLERK'S OFFICE.

NOTE: CELLULAR PHONES ARE TO BE TURNED OFF DURING THE COUNCIL MEETING.

CEREMONIAL MATTERS

- CALL TO ORDER
- ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW
- INVOCATION - AZIZ EDDÉBBARH, CHAIRMAN, BEN ASHER INSTITUTE OF ISLAMIC AND SUFI STUDIES
- PLEDGE OF ALLEGIANCE
- RECOGNITION OF THE CITIZEN OF THE MONTH
- RECOGNITION OF THE WINNERS IN THE LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT YOUTH ART CONTEST
- RECOGNITION OF THE CENTENNIAL HIGH SCHOOL GIRLS BASKETBALL AND SOCCER STATE CHAMPIONS
- RECOGNITION OF THE MEADOWS HIGH SCHOOL AA STATE BASKETBALL CHAMPIONS
- RECOGNITION OF LIEUTENANT RYAN SWINDELL
- RECOGNITION OF THE SENIOR OF THE QUARTER
- RECOGNITION OF THE GRAND SUMO TOURNAMENT
- PRESENTATION BY THE TULE SPRINGS PRESERVATION COMMITTEE
- RECOGNITION OF FAIR HOUSING MONTH
- RECOGNITION OF NATIONAL YOUTH SERVICE DAY

BUSINESS ITEMS - MORNING

1. Any items from the morning session that the Council, staff and/or the applicant wish to be stricken or held in abeyance to a future meeting may be brought forward and acted upon at this time
2. Approval of the Final Minutes by reference of the regular City Council Meeting of January 19, 2005 and the Special City Council Meeting of January 27, 2005

CONSENT AGENDA

MATTERS LISTED ON THE CONSENT AGENDA ARE CONSIDERED TO BE ROUTINE AND HAVE BEEN RECOMMENDED FOR APPROVAL BY THE SUBMITTING DEPARTMENTS. ALL ITEMS ON THE CONSENT AGENDA MAY BE APPROVED IN A SINGLE MOTION. HOWEVER, IF A COUNCIL MEMBER SO REQUESTS, ANY CONSENT ITEM MAY BE MOVED TO THE DISCUSSION PORTION OF THE AGENDA AND OTHER ACTION, INCLUDING POSTPONEMENT OR DENIAL OF THE ITEM, MAY TAKE PLACE.

FINANCE & BUSINESS SERVICES - CONSENT

3. Approval of Service and Material Checks/Payroll Checks/Wire Transfers/Other Checks and Investments
4. Approval of a Special Event License for Southern Nevada Blues Association (SNBA), Location: Lorenzi Park, 3333 West Washington Avenue, Date: April 17, 2005, Type: Special Event Beer/Wine, Event: Centennial Blues Festival, Responsible Person in Charge: Chere Jean Perez - Ward 5 (Weekly)
5. Approval of a Special Event License for Kingdom of Aragon, Location: Lorenzi Park, 3333 West Washington Avenue, Date: May 1, 2005, Type: Special Event General, Event: Cinco de Mayo Festival, Responsible Person in Charge: Ruth Heines - Ward 5 (Weekly)
6. Approval of Change of Business Name for a Psychic Art and Science License, Emitra Fehr, dba From: Serenity Hookah Lounge, To: Serenity Hookah Palace, 2000 Las Vegas Boulevard, South, Suite E10, Emitra J. Fehr, 100% - Ward 1 (Tarkanian)
7. Approval of Change of Name for a Class II Secondhand Dealer License, Call Renee Estate Liquidation, LLC, dba From: Call Renee Estate Liquidation, To: Not Just Antiques, 1422 Western Avenue, Renee Poole, Mmbr, Mgr, 100% - Ward 1 (Tarkanian)
8. Approval of the rejection of bid and award of Bid No. 050126-DK, Janitorial Services - Department of Field Operations - Award recommended to: ABM JANITORIAL SERVICES (Estimated annual amount \$882,000 - General Fund)
9. Approval of Modification No. 3 to Contract No. 040120, Master Plan Design for the Northwest Equestrian Park located at Iron Mountain Road and Jones Boulevard - Department of Planning and Development - Award recommended to: GREENWAYS, INC. (\$394,390 - Parks and Leisure Activities Capital Projects Fund) - Ward 6 (Mack)
10. Approval of award of Bid No. 050528-LED, Annual Requirements Contract for Culvert Cleaning - Department of Field Operations - Award recommended to: H2O ENVIRONMENTAL, INC. (\$500,000 - Road and Flood Capital Projects Fund) - Wards 1, 3 and 5 (Tarkanian, Reese and Weekly)
11. Approval of revision of purchase order 216080, for Janitorial Services - Department of Field Operations - Award to: BEST JANITORIAL SERVICES OF NEVADA, INC. (\$140,000 - General Fund)
12. Approval of issuance of a purchase order for a Communicator Community Automatic Notification System - Department of Fire and Rescue - Award recommended to: DIALOGIC COMMUNICATIONS CORPORATION (\$73,850 - Multipurpose Special Revenue Fund)
13. Approval of issuance of a purchase order for Hook & Line (HAL) BombTec Rigging System - Department of Fire and Rescue - Award recommended to: ALLEN-VANGUARD, INC. (\$39,900 - Multipurpose Special Revenue Fund)

FINANCE & BUSINESS SERVICES - CONSENT

14. Approval of issuance of a purchase order for Lifepak CR Plus Defibrillators - Department of Fire and Rescue - Award recommended to: MEDTRONIC PHYSIO CONTROL CORPORATION (\$58,363 - Multipurpose Special Revenue Fund)
15. Approval of issuance of a purchase order for Electronic Light Displays and Keypads - Department of Fire and Rescue - Award recommended to: MEDTRONIC PHYSIO CONTROL CORPORATION (\$51,930 - Multipurpose Special Revenue Fund)
16. Approval of revision to purchase order 222323 for annual requirements contract for Laboratory Services - Department of Fire and Rescue - Award to: QUEST DIAGNOSTICS (\$25,000 - General Fund)
17. Approval to allocate \$60,000 of "In Lieu of Open Space" revenue and award of Bid No. 04.15341.37-LED, Estelle Neal Park Water Feature, located at 6551 Azure Drive and the construction conflicts and contingency reserve set by Finance and Business Services - Department of Public Works - Award recommended to: TRADEWEST CONSTRUCTION, INC. (\$138,400 - Parks and Leisure Activities Capital Projects Fund) - Ward 6 (Mack)
18. Approval to allocate \$525,000 of the Capital Improvements Plan Bid Reserve, allocate \$25,000 of funding from the Development Services Enterprise Fund, rejection and award of Bid No. 04.15341.03-LED, Records & Archival materials Storage Facility and the construction conflicts and contingency reserve set by Finance and Business Services - Department of Public Works - Award recommended to: B&H CONSTRUCTION, INC. (\$3,665,299 - City Facilities Projects Fund) - Ward 4 (Brown)

FIRE & RESCUE - CONSENT

19. Approval of a business impact statement to address the impact of Bill No. 2005-21, relating to the installation of automatic sprinkler systems in existing residential board and care facilities - All Wards

NEIGHBORHOOD SERVICES - CONSENT

20. Approval of a Deferred Loan Agreement expending \$35,000 of Home Investment Partnership Program (HOME) funds for housing rehabilitation activities at 404 Alexander Avenue, Patricia Monroe Turner, owner - Ward 5 (Weekly)
21. Approval of a Department of Justice sponsored Weed and Seed Interlocal Agreement between the City of Las Vegas and the Board of Regents of the University and Community College System of Nevada, on behalf of the University of Nevada, Reno to allocate \$40,000 of Weed and Seed Funds - Wards 3 and 5 (Reese and Weekly)

PLANNING & DEVELOPMENT - CONSENT

22. Approval of parcels recommended for disposal at the Spring 2006 Bureau of Land Management Public Land Sale - Ward 2 (Wolfson)

PUBLIC WORKS - CONSENT

23. Approval of the First Amendment to Engineering Design Services Agreement between the City of Las Vegas and Louis Berger Group, Inc., to increase contract funding for the Las Vegas Middle Branch Pre-Design (\$61,015 - Clark County Regional Flood Control District [CCRFCD]) - Ward 6 (Mack)
24. Approval of Supplemental No. 7 Interlocal Contract 51J/B871214 between the City of Las Vegas, Clark County and the Regional Transportation Commission of Southern Nevada (RTC) to increase funding for Traffic Capacity and Safety Improvements Fifth Program Year (\$738.95 - Regional Transportation Commission of Southern Nevada) - Ward 1 (Tarkanian)

PUBLIC WORKS - CONSENT

25. Approval of Supplemental No. 1 to the Cooperative Agreement 330/B871215 between the City of Las Vegas, Clark County and the Regional Transportation Commission of Southern Nevada (RTC) to reduce bond funding for the Smoke Ranch Road - Jones Boulevard to Buffalo Drive construction project (decrease of \$738.95 - Regional Transportation Commission of Southern Nevada) - Wards 4 and 6 (Brown and Mack)
26. Approval of Interlocal Contract 500 between the Regional Transportation Commission of Southern Nevada (RTC), the City of North Las Vegas, the City of Las Vegas and Clark County for the development, design and deployment of arterial incident and event management systems in the Craig Road and Las Vegas Boulevard corridors (\$680,000 - Regional Transportation Commission of Southern Nevada) - Ward 6 (Mack) and North Las Vegas
27. Approval of an Encroachment Request from Thomason Consulting Engineers on behalf of Kimball Hill Homes Nevada, Incorporated, owner (Tee Pee Lane between Farm Road and Donald Nelson Avenue) - Ward 6 (Mack)
28. Approval of an Encroachment Request from JVC Architects on behalf of Ada Cohen, lessee (southwest corner of Ogden Avenue and Eighth Street) - Ward 5 (Weekly)
29. Approval of an Encroachment Request from Bunkers Mortuary on behalf of Carriage Cemetery Services, Incorporated, owner (southeast corner of Lone Mountain Road and Monte Cristo Way) - Ward 6 (Mack)
30. Approval of a Sewer Connection and Interlocal Contract with Clark County Water Reclamation District - Michael G. Alexander Living Trust, Michael G. Alexander, Trustee, owner (west of Quadrel Street, North of Craig Road, APN 138-04-603-013) - County (near Ward 4 - Brown)
31. Approval of an Encroachment Request from El Gran Patron, LLC, owner (northwest corner of Coolidge Avenue and Fourth Street) - Ward 1 (Tarkanian)
32. Approval of an Encroachment Request from John David Burke Architects on behalf of Becker Equities, owner (southeast corner of Durango Drive and Centennial Parkway) - Ward 6 (Mack)
33. Approval of a Sewer Connection and Interlocal Contract with Clark County Water Reclamation District - Robert D. Riggs and Judy Riggs, owners (north of Tropical Parkway, east of Conquistador Street, APN 125-30-202-012) - County (near Ward 6 - Mack)
34. Approval of a Sewer Connection and Interlocal Contract with Clark County Water Reclamation District - Gary Wayne Williams and Patricia A. Williams, owners (northwest corner of Tropical Parkway and Jensen Street, APN 125-30-202-014) - County (near Ward 6 - Mack)
35. Approval of a Sewer Connection and Interlocal Contract with Clark County Water Reclamation District - Temple Family Trust, Dix Frampton and Sunhee Frampton, Trustees, owners (north of Corbett Street, west of El Capitan Way, APN 125-29-304-006) - County (near Ward 6 - Mack)
36. Approval of an Encroachment Request from Port Of Subs, Incorporated, lessee (southwest corner of Stewart Avenue and Las Vegas Boulevard) - Ward 5 (Weekly)
37. Approval of a Sewer Connection and Interlocal Contract with Clark County Water Reclamation District - Alpha Engineering on behalf of D.R. Horton, Incorporated, owner (southeast corner of Mustang Street and Deer Springs Way, APN 125-23-702-001) - County (near Ward 6 - Mack)
38. Approval of a Sewer Connection and Interlocal Contract with Clark County Water Reclamation District - Alpha Engineering on behalf of D.R. Horton, Incorporated, owner (south of Dorrell Lane, west of Torrey Pines Drive, APNs 125-23-201-002, 125-23-201-012, 125-23-601-002 and 125-23-601-027 - County (near Ward 6 - Mack)
39. Approval of an Agreement between the Commission for the Las Vegas Centennial and the City of Las Vegas concerning placement, ownership and maintenance of historic markers - All Wards

RESOLUTIONS - CONSENT

- 40. R-31-2005 - Approval of a Resolution to support the New Las Vegas Marathon Route
- 41. R-32-2005 - Approval of a Resolution Establishing the Interest Rate for Special Improvement District No. 1478 - Vegas Drive (Rancho Drive to I-15) (\$153,695.05 - Capital Projects Fund/Special Assessments) - Ward 5 (Weekly)
- 42. R-33-2005 - Approval of a Resolution overruling complaints, protests, and objections and confirming the Final Assessment Roll for Special Improvement District No. 1501 - Downtown Street Rehabilitation Phase III (District boundaries are Fremont Street on the north, 15th Street on the east, Charleston Boulevard on the south and 13th Street on the west) (\$58,767.02 - Capital Projects Fund/Special Assessments) - Ward 5 (Weekly)
- 43. R-34-2005 - Approval of Resolution of Intent to Annex Territory Generally Located On the South Side of Centennial Parkway, East of Puli Drive (ANX-5163); Acreage: Approximately 62 acres; Zoned: R-U (County zoning), U (PCD) and U (PF) (City equivalents) - Ward 6 (Mack)

REAL ESTATE COMMITTEE - CONSENT

- 44. Approval of a Lease Agreement between the City of Las Vegas (Lessor) and Affleck Enterprises (Lessee) located at 1951 Stella Lake Drive, Suite 5, commonly known as the Las Vegas Business Center (\$31,536 revenue/36 months - Las Vegas Business Center Operations Fund) - Ward 5 Weekly)
- 45. ABEYANCE ITEM - Approval of an Agreement for the Purchase and Sale of Real Property whereby the City of Las Vegas (City) sells approximately 4.84 acres of land located in the vicinity of Owens Avenue and Main Street known as APN 139-27-502-015 to HELP Las Vegas Housing Corporation II, for the development and construction of affordable housing for low-income individuals (\$10 revenue - General Fund) - Ward 5 (Weekly)
- 46. Approval of an Easement and Rights-of-Way between the City of Las Vegas (City) and the Las Vegas Valley Water District (LVVWD) for a seventy-two square foot Easement to LVVWD to service a portion of APN 137-12-101-008 located near Gilmore Avenue and Cliff Shadows Parkway - Ward 4 (Brown)

DISCUSSION / ACTION ITEMS

ADMINISTRATIVE - DISCUSSION

- 47. Report and possible action concerning the status of 2005 legislative issues

CITY ATTORNEY - DISCUSSION

- 48. Discussion and possible action on Appeal of Work Card Denial: Anthony Victor O'Malley, 2121 Fremont Street #127, Las Vegas, Nevada 89101
- 49. Discussion and possible action on Appeal of Work Card Denial: Gilbert Aguirre, 3700 Broxburn, Las Vegas, Nevada 89108
- 50. Discussion and possible action on Appeal of Work Card Denial: Antonette Marie Tomas, 212 View Drive, Las Vegas, Nevada 89107
- 51. Discussion and possible action on Appeal of Work Card Denial: Kristal Gayle Henderson, 1500 Stardust Road, L2200, Las Vegas, Nevada 89109
- 52. Discussion and possible action on Appeal of Work Card Denial: Lashonda Marquette Bradford, 4617 Curdsen Way, Las Vegas, Nevada 89110

CITY ATTORNEY - DISCUSSION

- 53. Discussion and possible action on Appeal of Work Card Denial: Corey Alexander Klunk, 6433 Deadwood Road, Las Vegas, Nevada 89108
- 54. Discussion and possible action regarding Complaint seeking disciplinary action against Edgar Wrenn and Elsie Wrenn d/b/a Del Mar Resort Motel, 1411 Las Vegas Boulevard South, Las Vegas, Clark County, Nevada, for violations of Titles 6 and 10 of the Las Vegas Municipal Code and NRS Chapter 201 - Ward 3 (Reese)

FINANCE & BUSINESS SERVICES - DISCUSSION

- 55. Discussion and possible action regarding Temporary Approval of a new Tavern-limited License subject to the provisions of the fire codes and Health Dept. regulations, Big Nails, LLC, dba Beauty Bar, 517 Fremont Street, Suite 150, Paul Devitt, Mgr, Mmbr, 45%, Frank S. Cicero, Mmbr, 20%, John P. Nixon, Mmbr, 10% - Ward 5 (Weekly)
- 56. Discussion and possible action regarding Temporary Approval of Change of Ownership for a Beer/Wine/Cooler On-sale License subject to the provisions of the fire codes and Health Dept. regulations, From: John A. Gallo, 100%, To: Sanchez and Trujillo, dba Gallo's Famous Pizza Company, 3250 North Tenaya Way, Suite 110, Luis Sanchez and Regla C. Trujillo, 100% jointly as husband and wife - Ward 4 (Brown)
- 57. Discussion and possible action regarding Change of Ownership and Location for a Beer/Wine/Cooler On-sale License subject to the provisions of the planning and fire codes and Health Dept. regulations, From: 226 West Sahara Avenue, Jitendra Patel, 100%, To: An India Oven, Inc., dba India Oven, 2218 Paradise Road, Jitendra Patel, Dir, Pres, Treas, 50%, Jayshree Patel, Dir, Secy, 50% (NOTE: Item to be heard in the afternoon session in conjunction with Item 127 - SUP-5912) - Ward 3 (Reese)
- 58. Discussion and possible action regarding a new Massage Establishment License subject to the provisions of the planning and fire codes, Yong Wen, dba Good Hands Acupressure and Massage Center, 4300 Meadows Lane, 6512, Yong Wen, 100% (NOTE: Item to be heard in the afternoon session in conjunction with Item 125 - SUP-5908) - Ward 1 (Tarkanian)
- 59. Discussion and possible action regarding Temporary Approval of Change of Ownership and Business Name for a Class 11 Secondhand Dealer License, subject to the provisions of the fire codes, From: Larry Watson, dba Creative Home Furniture, Larry Watson, 100%, To: Creative Home Furnishings, LLC, dba Creative Home Furnishings, 1120 South Main Street, Larry Watson, Mgr and Ivona S. Watson, Mmbr, 80% jointly as husband and wife, Erik P. Lonnquist, Mmbr, 20% - Ward 1 (Tarkanian)
- 60. Discussion and possible action regarding a Six Month Review of a Tavern License and a Restricted Gaming License for 15 slots, La-Dor, Inc., dba Stateside Lounge, 931 Las Vegas Boulevard North, Doris L. Atchison, Dir, Pres, Treas, 50%, Laura J. Atchison, Dir, Secy, 50% - Ward 5 (Weekly)
- 61. Discussion and possible action regarding a Six Month Review of a Locksmith License, Judith Renea Zaruba, dba L Reo Lock & Key, 8929 Sheep Ranch Court, Judith R. Zaruba, 51%, Robert M. Zaruba, 49% - Ward 6 (Mack)
- 62. Discussion and possible action to rescind the City Council's vote regarding a Six-Month Review of a Tavern License and a Restricted Gaming License for 15 slots, Claudio Garcia, dba Sin Fronteras Bar & Night Club, 1203 East Charleston Boulevard, Suites I and J, Claudio H. Garcia, 100% - Ward 5 (Weekly)
- 63. Discussion and possible action reconsidering the application of a Tavern License and a Restricted Gaming License for 15 slots, Claudio Garcia, dba Sin Fronteras Bar & Night Club, 1203 East Charleston Boulevard, Suites I and J, Claudio H. Garcia, 100% - Ward 5 (Weekly)
- 64. ABEYANCE ITEM - Discussion and possible action regarding Temporary Approval of a new Supper Club License subject to the provisions of the planning and fire codes and Health Dept. regulations, Cisco's Supper Club, Incorporated, dba Cisco's Mexican Seafood and Cantina, 2100 Fremont Street, Michelle E. Gomez, Dir, Pres, VP, Secy, Treas, 100% - Ward 3 (Reese)

FINANCE & BUSINESS SERVICES - DISCUSSION

65. Discussion and possible action regarding Temporary Approval of a new Psychic Arts and Science License, Diane Adams, dba Psychic Experience, 301 Fremont Street, Diane P. Adams, 100% - Ward 1 (Tarkanian)

RESOLUTIONS - DISCUSSION

66. R-35-2005 - Discussion and possible action regarding a Resolution consenting to the undertakings of the City of Las Vegas Redevelopment Agency (RDA) in connection with the Commercial Visual Improvement Program (VIP) Agreement between the Redevelopment Agency and Celebrity Las Vegas, LLC, located at 201 North Third Street, to be in compliance with and in furtherance of the goals and objectives of the Redevelopment Agency - Ward 5 (Weekly) [NOTE: This item is related to Redevelopment Agency Item #2 and to Redevelopment Agency Item #3]
67. R-36-2005 - Discussion and possible action regarding a Resolution consenting to the undertakings of the City of Las Vegas Redevelopment Agency (RDA) in connection with the Commercial Visual Improvement Program (VIP) Agreement between the Redevelopment Agency and Hogs & Heifers of Las Vegas, Inc., located at 211 North Third Street, to be in compliance with and in furtherance of the goals and objectives of the Redevelopment Agency - Ward 5 (Weekly) [NOTE: This item is related to Redevelopment Agency Item #4 and to Redevelopment Agency Item #5]
68. R-37-2005 - Public hearing and possible action on a resolution authorizing the issuance and sale of economic development revenue bonds (\$9,645,000) for Goodwill Industries of Southern Nevada, Inc.

BOARDS & COMMISSIONS - DISCUSSION

69. SENIOR CITIZEN LAW PROJECT ADVISORY BOARD - Jackie Seip, Term Expiration 4-18-2005
70. ABEYANCE ITEM - PARK & RECREATION ADVISORY COMMISSION - Walter R. Sapling, Term Expiration 1-8-2006 (Deceased)

RECOMMENDING COMMITTEE REPORT - DISCUSSION

BILLS ELIGIBLE FOR ADOPTION AT THIS MEETING

71. Bill No. 2005-12 - Annexation No. ANX-5656 - Property location: On the west side of Al Carrison Street, 50 feet south of McNamee Avenue; Petitioned by: Michael E. Burke; Acreage: 2.08 acres; Zoned: R-A (County zoning), R-A (City equivalent). Sponsored by: Councilman Michael Mack
72. Bill No. 2005-14 - Authorizes the granting of a distance-separation waiver for a tavern to be located within a regional mall. Sponsored by: Councilman Larry Brown

BILLS ELIGIBLE FOR ADOPTION AT A LATER MEETING

THERE IS NO PUBLIC COMMENT ON THESE ITEMS AND NO ACTION WILL BE TAKEN BY THE COUNCIL AT THIS MEETING, EXCEPT THOSE ITEMS WHICH MAY BE STRICKEN OR TABLED. PUBLIC TESTIMONY TAKES PLACE AT THE RECOMMENDING COMMITTEE MEETING HELD FOR THAT PURPOSE.

73. Bill No. Z-2005-1 - Amends the City's Official Zoning Map Atlas by changing the zoning designations of certain parcels of land (nonresidential). Proposed by: Margo Wheeler, Director of Planning and Development
74. Bill No. Z-2005-2 - Amends the City's Official Zoning Map Atlas by changing the zoning designations of certain parcels of land (residential). Proposed by: Margo Wheeler, Director of Planning and Development

NEW BILLS - DISCUSSION

THERE IS NO PUBLIC COMMENT ON THESE ITEMS. NEW BILLS ARE READ INTO THE RECORD AND REFERRED TO RECOMMENDING COMMITTEE FOR A SEPARATE HEARING TO RECEIVE PUBLIC TESTIMONY BEFORE ACTION BY THE COUNCIL AT A LATER MEETING. EXCEPTION: EMERGENCY BILLS OR THOSE ITEMS TO BE STRICKEN OR TABLED.

75. Bill No. 2005-17 - Annexation No. ANX-5329 - Property location: On the southeast corner of Jones Boulevard and Madre Mesa Drive; Petitioned by: S. E. Investments, LLC; Acreage: 2.42 acres; Zoned: R-E (County zoning), U (R) (City equivalent). Sponsored by: Councilman Lawrence Weekly
76. Bill No. 2005-18 - Updates the City's drought plan ordinance to reflect a change in terminology from "drought emergency" to "drought critical." Sponsored by: Councilman Larry Brown
77. Bill No. 2005-19 - Adopts the International Energy Conservation Code, 2003 Edition, along with the document entitled "2003 Southern Nevada International Energy Conservation Code Amendments," as replacements for the Model Energy Code, 1992 Edition, and the Supplemental Document amending that code. Proposed by: Paul Wilkins, Director of Building and Safety
78. Bill No. 2005-20 - Amends the City's Administrative Code to authorize the implementation of a program for contractor verification regarding the proper installation of water heaters and water softeners. Proposed by: Paul K. Wilkins, Director of Building and Safety
79. Bill No. 2005-21 - Amends the City's Fire Code to require the installation of automatic sprinkler systems in existing residential board and care facilities. Proposed by: David L. Washington, Chief, Department of Fire and Rescue
80. Bill No. 2005-22 - Amends the City's Fire Code to update fire protection requirements for certain structures and occupancies. Proposed by: David L. Washington, Chief, Department of Fire and Rescue
81. Bill No. 2005-23 - Levies Assessment for Special Improvement District No. 1501 - Downtown Street Rehabilitation Phase III (District boundaries are Fremont Street on the north, 15th Street on the east, Charleston Boulevard on the south and 13th Street on the west. Sponsored by: Step Requirement

1:00 P.M. - AFTERNOON SESSION

BUSINESS ITEMS - AFTERNOON

82. Any items from the afternoon session that the Council, staff and/or the applicant wish to be stricken or held in abeyance to a future meeting may be brought forward and acted upon at this time

HEARINGS - DISCUSSION

83. Public hearing to consider the report of expenses to recover costs for abatement of dangerous building located at 1176 Hassell Avenue. PROPERTY OWNERS: ESTRADA INVESTORS LLC - Ward 5 (Weekly)
84. Public hearing to consider the report of expenses to recover costs for abatement of nuisance/litter located at 1804 Plantea Court. PROPERTY OWNER: GARY W. WALTERS - Ward 1 (Tarkanian)
85. Hearing to consider the appeal regarding the Notice and Order to Abate Dangerous Building located at 7075 W. Craig Road. PROPERTY OWNERS: RICHARD A. & BARBARA L. STIMAC - Ward 6 (Mack)
86. Public hearing to consider the report of expenses to recover costs for abatement of dangerous building located at 704 W. Wilson Avenue. PROPERTY OWNER: KARL EDWARD BUTLER - Ward 5 (Weekly)

HEARINGS - DISCUSSION

87. Public hearing to consider the report of expenses to recover costs for abatement of dangerous building located at 371 Maydelle Place. PROPERTY OWNERS: TRUSTEE CLARK COUNTY TREASURER - C/O GOULD ROBERT S. - Ward 3 (Reese)
88. ABEYANCE ITEM - Hearing to consider the appeal regarding the Nuisance/Litter Abatement Notice and Order to Comply located at 2740 Harris Avenue. PROPERTY OWNER: DOROTHE REEVES - Ward 3 (Reese)
89. Public hearing on annexation report for the proposed annexation area located on the north side of Moccasin Road, between the Buffalo Drive alignment to the east and Spin Ranch Road to the west (ANX-3026) – Ward 6 (Mack)
90. Public hearing on annexation report for the proposed annexation area bounded by Iron Mountain Road to the south, Puli Road to the west, Hualapai Way to the east, and Moccasin Road to the north (ANX-5528) – Ward 6 (Mack)
91. Public hearing on local improvement district for Special Improvement District No. 1485 - Alta Drive (Rancho Drive to approximately 275 feet west of Lacy Lane) (Landscape Maintenance - FY2006) - (\$49,240.38 - Capital Projects Fund - Special Assessments) - Ward 1 (Tarkanian)

PLANNING & DEVELOPMENT

The items listed below, where appropriate, have been reviewed by the various City departments relative to requirements for storm drainage and flood control, connection to sanitary sewer, traffic circulation, and building and fire regulations. Their comments and/or recommendations and requirements have been incorporated into the action.

PLANNING & DEVELOPMENT - CONSENT

PM SESSION - ALL ITEMS LISTED ON THE CONSENT AGENDA ARE CONSIDERED TO BE ROUTINE AND HAVE BEEN RECOMMENDED FOR APPROVAL. ALL ITEMS ON THE CONSENT AGENDA MAY BE APPROVED IN A SINGLE MOTION. HOWEVER, IF A COUNCIL MEMBER SO REQUESTS, ANY CONSENT ITEM MAY BE MOVED TO THE DISCUSSION PORTION OF THE AGENDA AND OTHER ACTION, INCLUDING POSTPONEMENT OR DENIAL OF THE ITEM, MAY TAKE PLACE.

92. EOT-6090 - APPLICANT/OWNER: DR HORTON - Request for an Extension Time for an approved Site Development Plan Review (SDR-1395) FOR A PROPOSED 565-LOT SINGLE FAMILY RESIDENTIAL DEVELOPMENT on 226.80 acres adjacent to the east and west sides of Durango Drive, between Log Cabin Way and Moccasin Road (APNs 125-04-001-002, 005, through 009 and 011; and 125-05-604-049), R-E (Residence Estates) under Resolution of Intent to R-PD2 (Residential Planned Development - 2 Units Per Acre) Zone, Ward 6 (Mack). Staff recommends APPROVAL
93. EOT-6162 - APPLICANT/OWNER: DEER SPRINGS INVESTMENTS, LLC - Request for an Extension of Time for an approved Special Use Permit which allowed A TAVERN on a portion of 5.0 acres adjacent to northwest corner of Durango Drive and Deer Springs Way (APN 125-20-201-025) T-C (Town Center) Zone, Ward 6 (Mack). Staff recommends APPROVAL

PLANNING & DEVELOPMENT - DISCUSSION

94. DIR-6223 - APPLICANT: TRIPLE FIVE NEVADA DEVELOPMENT CORPORATION - Appeal of Director's decision per Title 19.00.070.F to deny the application of a Request to amend the Master Plan of Streets and Highways TO REALIGN A PORTION OF GRAND MONTECITO PARKWAY BETWEEN DORRELL LANE AND DEER SPRINGS, Ward 6 (Mack). Staff recommends DENIAL
95. RQR-6141 - PUBLIC HEARING - APPLICANT: YONO ENTERPRISES - OWNER: RICHARD STURMAN - Required One-Year Review of an approved Review of Condition (ROC-1770) WHICH DELETED CONDITION NO. 2 of an approved Special Use Permit (U-0154-98) PROHIBITING THE SALE OF INDIVIDUAL CONTAINERS OF ANY SIZE BEER, WINE COOLERS OR SCREW CAP WINE for an existing market at 611 Fremont Street, Suite 20 (APN 139-34-611-019), C-2 (General Commercial) Zone, Ward 5 (Weekly). Staff recommends DENIAL

PLANNING & DEVELOPMENT - DISCUSSION

96. ROC-6073 - ABEYANCE ITEM - PUBLIC HEARING - APPLICANT: BRUCE A. MORRIS - OWNER: CALVARY COMMUNITY ASSEMBLY OF GOD - Request for a Review of Condition Number 1 of an approved Site Development Plan Review [Z-0086-99(1)] TO ELIMINATE THE REQUIREMENT FOR A DECORATIVE BLOCK WALL ALONG THE SOUTH PROPERTY LINE for an existing church on 11.22 acres at 2900 North Torrey Pines Drive (APNs 138-14-601-005, 006, 013 and 014), U (Undeveloped) Zone [PF (Public Facility) General Plan Designation] under Resolution of Intent to C-V (Civic) and C-V (Civic) Zone, Ward 5 (Weekly). Staff recommends DENIAL

97. ROC-6074 - ABEYANCE ITEM - PUBLIC HEARING - APPLICANT: THE MONTECITO COMPANIES - OWNER: AZURE SOUTH, INC. - Request for a Review of Condition Number 22 of an approved Site Development Plan Review [Z-0076-98(20)], WHICH PROHIBITED CERTAIN USES, TO ELIMINATE THE CONDITION ENTIRELY for an approved commercial development on property located adjacent to the southwest corner of Tenaya Way and Azure Drive (APN 125-27-222-006), T-C (Town Center) Zone, Ward 6 (Mack). Staff recommends DENIAL

98. ROC-6132 - PUBLIC HEARING - APPLICANT: DWYER ENGINEERING - OWNER: CANYON RIDGE CHRISTIAN CHURCH - Request for a Review of Condition Number 2 of an approved Review of Condition (ROC-3216) TO REMOVE THE REQUIREMENT TO INSTALL HALF STREET IMPROVEMENTS ON THE EAST SIDE OF MAVERICK STREET, SOUTH OF LA MADRE WAY for an existing Church located at 6200 West Lone Mountain Road (APNs 125-35-802-001, 003 and 007), C-V (Civic) Zone, Ward 6 (Mack). Staff recommends DENIAL

99. SDR-5924 - PUBLIC HEARING - APPLICANT/OWNER: SCHOOL BOARD OF TRUSTEES - Request for Site Development Plan Review FOR A PROPOSED CITY PARK on 5.05 acres adjacent to the northwest corner of El Campo Grande Avenue and Bradley Road (a portion of APN 125-25-302-001), C-V (Civic) Zone, Ward 6 (Mack). The Planning Commission (6-0 vote) and staff recommend APPROVAL

100. SDR-5943 - PUBLIC HEARING - APPLICANT: TMC MGT - OWNER: SAN MICHELE GARY LLC - Request for a Site Development Plan Review FOR THE CONVERSION OF A 216 UNIT APARTMENT PROJECT TO A CONDOMINIUM DEVELOPMENT on 8.52 acres at 5800 West Lake Mead Boulevard (APN 138-24-215-005), R-4 (High Density Residential) Zone, Ward 5 (Weekly). The Planning Commission (6-0 vote) and staff recommend APPROVAL

101. SDR-6017 - PUBLIC HEARING - APPLICANT: SKY RISE DEVELOPMENT GROUP, INC - OWNER: EDWARD B. FRANKEL FAMILY TRUST - Request for a Site Development Plan Review FOR THE CONVERSION OF A 504-UNIT APARTMENT PROJECT TO A CONDOMINIUM DEVELOPMENT on 24.76 acres at 2200 South Fort Apache Road (APN 163-05-315-045 and 163-05-410-001), R-PD18 (Residential Planned Development - 18 Units per Acre), Ward 1 (Tarkanian). Staff recommends DENIAL. The Planning Commission (6-0 vote) recommends APPROVAL

102. SDR-6025 - PUBLIC HEARING - APPLICANT/OWNER: DECATUR CONCORD LLC - Request for a Site Development Plan Review FOR A 4,987 SQUARE-FOOT COMMERCIAL BUILDING AND A WAIVER TO ALLOW A 15-FOOT FRONT SETBACK WHERE 20 FEET IS THE MINIMUM SETBACK REQUIRED AND WAIVERS OF FOUNDATION, BUFFER AND PARKING LOT LANDSCAPING STANDARDS on 0.83 acres adjacent to the northeast corner of Decatur Boulevard and Concord Village Drive (APN 139-19-301-007), C-1 (Limited Commercial) Zone, Ward 5 (Weekly). The Planning Commission (5-0 vote) and staff recommend DENIAL

103. MOD-5581 - ABEYANCE ITEM - PUBLIC HEARING - APPLICANT: OMEGA DEVELOPMENT - OWNER: LONE MOUNTAIN COMMERCIAL, LLC AND THE CITY OF LAS VEGAS - Request for a Major Modification to the Lone Mountain Master Development Plan TO CHANGE LAND USE DESIGNATIONS FROM: NEIGHBORHOOD COMMERCIAL AND PARK/SCHOOL/RECREATION/OPEN SPACE TO: MULTI-FAMILY MEDIUM on 8.74 acres adjacent to the east side of Hualapai Way, north and south of Gilmore Avenue (APN 138-07-201-001 and 002; 138-07-103-006), U (Undeveloped) Zone [PCD (Planned Community Development) and PR-OS (Parks/Recreation/Open Space) General Plan Designations] under Resolution of Intent to PD (Planned Development), Ward 4 (Brown). The Planning Commission (4-1 vote) and staff recommend APPROVAL

PLANNING & DEVELOPMENT - DISCUSSION

104. SDR-5579 - ABEYANCE ITEM - PUBLIC HEARING - APPLICANT: OMEGA DEVELOPMENT - OWNER: LONE MOUNTAIN COMMERCIAL, LLC AND THE CITY OF LAS VEGAS - Request for a Site Development Plan Review FOR A PROPOSED 136-UNIT RESIDENTIAL CONDOMINIUM DEVELOPMENT on 8.74 acres adjacent to the east side of Hualapai Way, north and south of Gilmore Avenue (APN 138-07-201-001 and 002; 138-07-103-006), U (Undeveloped) Zone [PCD (Planned Community Development) and PR-OS (Parks/Recreation/Open Space) General Plan Designations] under Resolution of Intent to PD (Planned Development), Ward 4 (Brown). The Planning Commission (4-1 vote) and staff recommend APPROVAL

105. VAC-5901 - PUBLIC HEARING - APPLICANT: JHR ASSOCIATES - OWNER: SEEGMILLER PARTNERS, LLC - Petition to Vacate Public Utility Easements at 205 Hoover Avenue, Ward 1 (Tarkanian). The Planning Commission (6-0 vote) and staff recommend APPROVAL

106. VAC-5902 - PUBLIC HEARING - APPLICANT: JHR ASSOCIATES - OWNER: SP SAHARA DEVELOPMENT, LLC - Petition to Vacate a 15 foot wide Public Utility Easement at 200 West Sahara Avenue, Ward 1 (Tarkanian). The Planning Commission (6-0 vote) and staff recommend APPROVAL

107. VAC-5936 - PUBLIC HEARING - APPLICANT/OWNER: PN II, INC. D/B/A PULTE HOMES OF NEVADA - Petition to Vacate U.S. Government Patent Easements generally located west of Shaumber Road, south of Dorrell Lane, Ward 6 (Mack). The Planning Commission (5-0-1 vote) and staff recommend APPROVAL

108. VAC-5954 - PUBLIC HEARING - OWNER: CARINA CORPORATION - APPLICANT: THE KEITH COMPANIES - Petition to Vacate a Road, Public Utility and Flood Control Easements generally located on Tule Springs Road approximately 1,316 Feet south of Farm Road, Ward 6 (Mack). The Planning Commission (7-0 vote) and staff recommend APPROVAL

109. VAC-6015 - PUBLIC HEARING - OWNER/APPLICANT: TOM AND JUDY MILLER - Petition to Vacate a portion of Nemeth Road generally located south of Smoke Ranch Road, approximately 481 feet east of Rainbow Boulevard, Ward 6 (Mack). The Planning Commission (7-0 vote) and staff recommend APPROVAL. [NOTE: The application should read Nemeth Lane]

110. WVR-6035 - PUBLIC HEARING - APPLICANT: NEVADA HOMES GROUP - OWNER: DAY STAR VENTURES LLC - Request for a Waiver of Title 18.12.160 TO ALLOW 209 FEET BETWEEN STREET INTERSECTIONS WHERE 220 FEET IS THE MINIMUM DISTANCE SEPARATION REQUIRED FOR A SINGLE-FAMILY RESIDENTIAL DEVELOPMENT on 5.35 acres adjacent to the southeast corner of Dorrell Lane and Hualapai Way (APN 125-19-201-001 and 003), R-PD3 (Residential Planned Development- 3 Units per Acre), Ward 6 (Mack). The Planning Commission (7-0 vote) and staff recommend APPROVAL

111. VAR-5808 - ABEYANCE ITEM - PUBLIC HEARING - APPLICANT: PERKOWITZ AND RUTH ARCHITECTS - OWNER: RICHMOND AMERICAN HOMES OF NEVADA, INC. - Request for a Variance TO ALLOW A 37-FOOT SETBACK WHERE RESIDENTIAL ADJACENCY STANDARDS REQUIRE A MINIMUM SETBACK OF 84 FEET FOR A PROPOSED OFFICE/WAREHOUSE DEVELOPMENT on 3.56 acres east of Rancho Drive, approximately 500 feet south of Lone Mountain Road (APN 138-02-102-012), C-2 (General Commercial) Zone, Ward 6 (Mack). Staff recommends DENIAL. The Planning Commission (6-0-1 vote) recommends APPROVAL

112. SDR-5813 - ABEYANCE ITEM - PUBLIC HEARING - APPLICANT: PERKOWITZ AND RUTH ARCHITECTS - OWNER: RICHMOND AMERICAN HOMES OF NEVADA, INC. - Request for a Site Development Plan Review FOR A PROPOSED 38,000 SQUARE-FOOT OFFICE/WAREHOUSE DEVELOPMENT AND FOR A WAIVER OF THE BUILDING PLACEMENT, PERIMETER, AND PARKING LOT LANDSCAPING REQUIREMENTS on 3.56 acres east of Rancho Drive, approximately 500 feet south of Lone Mountain Road (APN 138-02-102-012), C-2 (General Commercial) Zone, Ward 6 (Mack). Staff recommends DENIAL. The Planning Commission (6-0-1 vote) recommends APPROVAL

113. VAR-5694 - PUBLIC HEARING - APPLICANT: GERALD GARAPICH, A.I.A., LLC - OWNER: A.L.M. CORP. - Request for a Variance TO ALLOW A 24-FOOT SETBACK WHERE RESIDENTIAL ADJACENCY STANDARDS REQUIRE A MINIMUM OF 73 FEET on 2.55 acres adjacent to the northeast corner of Grand Teton Drive and Durango Drive (APN a portion of 125-09-401-006), U (Undeveloped) Zone [SC (Service Commercial) General Plan Designation] under Resolution of Intent to C-1 (Limited Commercial), Ward 6 (Mack). Staff recommends DENIAL. The Planning Commission (7-0 vote) recommends APPROVAL

PLANNING & DEVELOPMENT - DISCUSSION

114. SUP-5691 - PUBLIC HEARING - APPLICANT: GERALD GARAPICH, A.I.A., LLC - OWNER: A.L.M. CORP. - Request for a Special Use Permit FOR A PROPOSED LIQUOR ESTABLISHMENT (TAVERN) AND A WAIVER OF THE 1,500-FOOT DISTANCE SEPARATION REQUIREMENT FROM AN EXISTING PARK adjacent to the northeast corner of Grand Teton Drive and Durango Drive (APN a portion of 125-09-401-006), U (Undeveloped) Zone [SC (Service Commercial) General Plan Designation] under Resolution of Intent to C-1 (Limited Commercial) Zone, Ward 6 (Mack). Staff recommends DENIAL. The Planning Commission (7-0 vote) recommends APPROVAL. [NOTE: Waiver request withdrawn as unnecessary]

115. SDR-5689 - PUBLIC HEARING - APPLICANT: GERALD GARAPICH, A.I.A., LLC - OWNER: A.L.M. CORP. - Request for a Site Development Plan Review FOR A 6,115 SQUARE-FOOT TAVERN AND A WAIVER OF TRASH ENCLOSURE SEPARATION on 2.55 acres adjacent to the northeast corner of Grand Teton Drive and Durango Drive (APN a portion of 125-09-401-006), U (Undeveloped) Zone [SC (Service Commercial) General Plan Designation] under Resolution of Intent to C-1 (Limited Commercial), Ward 6 (Mack). Staff recommends DENIAL. The Planning Commission (7-0 vote) recommends APPROVAL. [NOTE: Waiver request has been withdrawn]

116. VAR-5952 - PUBLIC HEARING - APPLICANT: GAUGHAN RICHARDSON DEVELOPMENT - OWNER: COX FAMILY TRUST - Request for a Variance to ALLOW AN R-PD (RESIDENTIAL PLANNED DEVELOPMENT) ZONING DISTRICT on 4.87 ACRES WHERE 5.00 ACRES IS THE MINIMUM AREA REQUIRED adjacent to the southeast corner of Ann Road and Torrey Pines Drive (APN 125-35-501-001), Ward 6 (Mack). The Planning Commission (7-0 vote) recommends DENIAL. Staff recommends APPROVAL

117. ZON-5788 - PUBLIC HEARING - APPLICANT: GAUGHAN RICHARDSON DEVELOPMENT - OWNER: COX FAMILY TRUST - Request for a Rezoning FROM: R-E (RESIDENCE ESTATES) TO: R-PD3 (RESIDENTIAL PLANNED DEVELOPMENT - 3 UNITS PER ACRE) on 4.87 acres adjacent to the southeast corner of Ann Road and Torrey Pines Drive (APN 125-35-501-001), Ward 6 (Mack). The Planning Commission (7-0 vote) recommends DENIAL. Staff recommends APPROVAL

118. WVR-5790 - PUBLIC HEARING - APPLICANT: GAUGHAN RICHARDSON DEVELOPMENT - OWNER: COX FAMILY TRUST - Request for a Waiver of Title 18.12.160 TO ALLOW APPROXIMATELY 190 FEET BETWEEN STREET INTERSECTIONS WHERE 220 FEET IS THE MINIMUM DISTANCE SEPARATION REQUIRED IN CONJUNCTION WITH A PROPOSED 15-LOT SINGLE-FAMILY RESIDENTIAL DEVELOPMENT on 4.87 acres adjacent to the southeast corner of Ann Road and Torrey Pines Drive (APN 125-35-501-001), Ward 6 (Mack). The Planning Commission (7-0 vote) recommends DENIAL. Staff recommends APPROVAL

119. SDR-5789 - PUBLIC HEARING - APPLICANT: GAUGHAN RICHARDSON DEVELOPMENT - OWNER: COX FAMILY TRUST - Request for a Site Development Plan Review FOR A PROPOSED 15-LOT SINGLE-FAMILY RESIDENTIAL DEVELOPMENT on 4.87 acres adjacent to the southeast corner of Ann Road and Torrey Pines Drive (APN 125-35-501-001), R-E (Residence Estates) Zone [PROPOSED: R-PD3 (Residential Planned Development - 3 Units Per Acre) Zone], Ward 6 (Mack). The Planning Commission (7-0 vote) recommends DENIAL. Staff recommends APPROVAL

120. VAR-6028 - PUBLIC HEARING - APPLICANT: TIM C. AYALA - OWNER: REYES G. PALACIOS - Request for a Variance TO ALLOW A FIVE-FOOT SIDE YARD SETBACK WHERE TEN FEET IS THE MINIMUM SETBACK REQUIRED FOR A PROPOSED ROOM ADDITION on 0.50 acres at 729 Clarkway Drive (APN 139-28-301-017), R-E (Residence Estates) Zone, Ward 5 (Weekly). Staff recommends DENIAL. The Planning Commission (6-0-1 vote) recommends APPROVAL

121. VAR-6030 - PUBLIC HEARING - APPLICANT: LLOYD BAKER - OWNER: BAKER LAW OFFICES, P.C. - Request for a Variance TO ALLOW 14 PARKING SPACES WHERE 18 SPACES ARE THE MINIMUM NUMBER OF SPACES REQUIRED FOR A PROPOSED OFFICE DEVELOPMENT on 0.25 acres adjacent to the southwest corner of 8th Street and Clark Avenue (APN 139-34-710-048), R-1 (Single Family Residential) Zone under Resolution of Intent to P-R (Professional Office and Parking) Zone, Ward 1 (Tarkanian). Staff recommends DENIAL. The Planning Commission (7-0 vote) recommends APPROVAL

PLANNING & DEVELOPMENT - DISCUSSION

122. SDR-6026 - PUBLIC HEARING - APPLICANT: LLOYD BAKER - OWNER: BAKER LAW OFFICES, P.C. - Request for a Site Development Plan Review FOR A 5,362 SQUARE-FOOT OFFICE DEVELOPMENT AND WAIVERS OF THE SETBACK, LANDSCAPE BUFFER STANDARDS AND PARKING LOT LANDSCAPE STANDARDS on 0.25 acres adjacent to the southwest corner of 8th Street and Clark Avenue (APN 139-34-710-048), R-1 (Single Family Residential) Zone under Resolution of Intent to P-R (Professional Office and Parking) Zone, Ward 1 (Tarkanian). Staff recommends DENIAL. The Planning Commission (7-0 vote) recommends APPROVAL

123. RQR-5925 - PUBLIC HEARING - APPLICANT/OWNER: CHETAK DEVELOPMENT CORPORATION - Required Two Year Review of an Approved Special Use Permit (SUP-1274) FOR A 55 FOOT TALL, 14 FOOT BY 48 FOOT OFF-PREMISE ADVERTISING (BILLBOARD) SIGN at 2236 Paradise Road (APN 162-03-411-011), C-1 (Limited Commercial) Zone, Ward 3 (Reese). The Planning Commission (5-0-1 vote) and staff recommend APPROVAL

124. RQR-5939 - PUBLIC HEARING - APPLICANT: CLEAR CHANNEL OUTDOOR - OWNER: LODGE BPOE #1468 - Appeal letter filed by the applicant from the Denial by the Planning Commission of a Required Five Year Review of an approved Special Use Permit (U-0216-90) WHICH ALLOWED A 40 FOOT TALL, 14 FOOT BY 48 FOOT OFF-PREMISE ADVERTISING (BILLBOARD) SIGN at 4100 West Charleston Boulevard (APN 139-31-801-009), C-1 (Limited Commercial) Zone, Ward 1 (Tarkanian). The Planning Commission (4-2 vote) recommends DENIAL. Staff recommends APPROVAL

125. SUP-5908 - PUBLIC HEARING - APPLICANT: YONG WEN - OWNER: GGP IVANHOE II, INC. - Request for a Special Use Permit FOR A PROPOSED MASSAGE ESTABLISHMENT AND A WAIVER OF THE REQUIRED 400 FOOT DISTANCE SEPARATION FROM RESIDENTIAL PROPERTY AND A SCHOOL at 4300 Meadows Lane (APN 139-31-510-019), C-1 (Limited Commercial) Zone, Ward 1 (Tarkanian). (NOTE: Item to be heard in conjunction with Moming Session Item 58) The Planning Commission (5-0-1 vote) and staff recommend APPROVAL

126. SUP-5910 - PUBLIC HEARING - APPLICANT: CLASSY CONSIGNMENT, INC. - OWNER: SAHARA PAVILION NORTH U.S., INC. - Request for a Special Use Permit FOR A PROPOSED SECONDHAND DEALER at 4704 West Sahara Avenue, Suite #1 (APN 162-06-402-001), C-1 (Limited Commercial) Zone, Ward 1 (Tarkanian). The Planning Commission (6-0 vote) and staff recommend APPROVAL

127. SUP-5912 - PUBLIC HEARING - APPLICANT: INDIA OVEN, INC. - OWNER: CHETAK DEVELOPMENT CORPORATION - Request for a Special Use Permit FOR A PROPOSED RESTAURANT SERVICE BAR at 2218 Paradise Road (APN 162-03-411-010), C-1 (Limited Commercial) Zone, Ward 3 (Reese). (NOTE: Item to be heard in conjunction with Moming Session Item 57) The Planning Commission (4-0-2 vote) and staff recommend APPROVAL

128. SUP-5938 - PUBLIC HEARING - APPLICANT: LIJUN ZHANG - OWNER: RAINBOW EXPRESS VILLAGE, LIMITED PARTNERSHIP - Appeal filed by the applicant from the Denial by the Planning Commission of a request for a Special Use Permit FOR A PROPOSED MASSAGE ESTABLISHMENT AND WAIVERS OF THE REQUIRED 1,000 FOOT DISTANCE SEPARATION FROM A SIMILAR USE, THE 400 FOOT DISTANCE SEPARATION FROM RESIDENTIAL PROPERTY, AND HOURS OF OPERATION OF 8:00 A.M. TO 9:00 P.M. TO ALLOW THE HOURS OF OPERATION OF 10:00 A.M. TO 3:00 A.M. at 1750 South Rainbow Boulevard, Suite #12 (APN 163-02-212-001), C-1 (Limited Commercial) Zone, Ward 1 (Tarkanian). The Planning Commission (6-0 vote) and staff recommend DENIAL

129. SUP-5917 - PUBLIC HEARING - APPLICANT: GERALD GARAPICH, AIA, LLC - OWNER: RANCHO AIR CENTER, INC. - Request for a Special Use Permit FOR A PROPOSED LIQUOR ESTABLISHMENT (TAVERN) AND FOR A WAIVER OF THE REQUIRED 1,500 FOOT DISTANCE SEPARATION FROM A CHURCH, A SCHOOL AND A CHILD CARE FACILITY adjacent to the west side of Rancho Drive, approximately 250 feet north of Smoke Ranch Road (APN 139-18-410-005), C-M (Commercial/Industrial) Zone, Ward 5 (Weekly). Staff recommends DENIAL. The Planning Commission (5-0-1 vote) recommends APPROVAL

130. SDR-5916 - PUBLIC HEARING - APPLICANT: GERALD GARAPICH, AIA, LLC - OWNER: RANCHO AIR CENTER, INC. - Request for a Site Development Plan Review FOR A PROPOSED 5,000 SQUARE FOOT LIQUOR ESTABLISHMENT (TAVERN) on a 1.34 acre portion of a 31.42 site acres adjacent to the west side of Rancho Drive, approximately 250 feet north of Smoke Ranch Road (APN 139-18-410-005), C-M (Commercial/Industrial) Zone, Ward 5 (Weekly). Staff recommends DENIAL. The Planning Commission (5-0-1 vote) recommends APPROVAL

PLANNING & DEVELOPMENT - DISCUSSION

131. SUP-5947 - PUBLIC HEARING - APPLICANT: NORA'S WINE BAR AND OSTERIA, LLC - RAMPART COMMONS, LTD., LLC - Request for a Special Use Permit FOR A PROPOSED LIQUOR ESTABLISHMENT (ON AND OFF-PREMISE SALE OF BEER AND WINE) at 1031 South Rampart Boulevard (APN 138-32-411-003), C-1 (Limited Commercial) Zone, Ward 2 (Wolfson). The Planning Commission (6-0 vote) and staff recommend APPROVAL

132. SDR-5946 - PUBLIC HEARING - APPLICANT: NORA'S WINE BAR AND OSTERIA, LLC - RAMPART COMMONS, LTD., LLC - Request for a Site Development Plan Review FOR A PROPOSED 737 SQUARE FOOT EXPANSION TO AN EXISTING SHOPPING CENTER on 8.28 acres at 1031 South Rampart Boulevard (APN 138-32-411-003), C-1 (Limited Commercial) Zone, Ward 2 (Wolfson). The Planning Commission (6-0 vote) and staff recommend APPROVAL

133. SUP-5859 - PUBLIC HEARING - APPLICANT: ANVUI, LLC - OWNER: G.L. DRAGON, LLC - Request for a Special Use Permit FOR A PROPOSED SUPPER CLUB at 1050 South Rampart Boulevard (APN 138-32-412-024), C-1 (Limited Commercial) Zone, Ward 2 (Wolfson). The Planning Commission (6-0-1 vote) and staff recommend APPROVAL

134. SUP-5998 - PUBLIC HEARING - APPLICANT: PEI WEI - OWNER: MARK L. FINE & ASSOCIATES - Request for a Special Use Permit FOR A PROPOSED RESTAURANT SERVICE BAR at 10830 West Charleston Boulevard, Suite 110 (APN 137-36-414-002), P-C (Planned Community) Zone, Ward 2 (Wolfson). The Planning Commission (6-0-1 vote) and staff recommend APPROVAL

135. SUP-6004 - PUBLIC HEARING - APPLICANT: MULUGETA BOUR - OWNER: NEVADA BROOKS COOK - Request for a Special Use Permit FOR A PROPOSED LIQUOR ESTABLISHMENT (OFF-PREMISE CONSUMPTION) TO ALLOW FULL LIQUOR SALES at 1616 South Las Vegas Boulevard (APN 162-03-210-058), C-2 (General Commercial) Zone, Ward 1 (Tarkanian). Staff recommends DENIAL. The Planning Commission (4-1-2 vote) recommends APPROVAL

136. SUP-6020 - PUBLIC HEARING - APPLICANT: VIOLET SAHAKYAN - OWNER: ROBERT BOLTEN AND RHONDA BOLTEN - Request for a Special Use Permit FOR A PROPOSED CHILD CARE CENTER adjacent to the southeast corner of Jones Boulevard and Washburn Road (APN 125-36-301-001), R-E (Residence Estates) Zone, Ward 6 (Mack). The Planning Commission (6-0-1 vote) and staff recommend APPROVAL

137. SDR-6018 - PUBLIC HEARING - APPLICANT: VIOLET SAHAKYAN - OWNER: ROBERT BOLTEN AND RHONDA BOLTEN - Request for a Site Development Plan Review FOR A 14,797 SQUARE-FOOT CHILD CARE CENTER on 2.24 acres adjacent to the southeast corner of Jones Boulevard and Washburn Road (APN 125-36-301-001), R-E (Residence Estates) Zone, Ward 6 (Mack). The Planning Commission (6-0-1 vote) and staff recommend APPROVAL

138. ZON-5769 - PUBLIC HEARING - APPLICANT/OWNER: GARETH J. SPICER - Request for a Rezoning FROM: R-1 (SINGLE FAMILY RESIDENTIAL) TO: C-1 (LIMITED COMMERCIAL) on 0.15 acres at 708 South Jones Boulevard (APN 138-36-316-007), Ward 1 (Tarkanian). The Planning Commission (6-0 vote) and staff recommend APPROVAL. [NOTE: Request is to P-R (Professional Office and Parking)]

139. SDR-5770 - PUBLIC HEARING - APPLICANT/OWNER: GARETH J. SPICER - Request for a Site Development Plan Review FOR A PROPOSED 1,688 SQUARE-FOOT COMMERCIAL USE AND WAIVERS OF COMMERCIAL DEVELOPMENT STANDARDS FOR PERIMETER, FOUNDATION AND PARKING LOT LANDSCAPING; A WAIVER TO ALLOW A 27 FOOT FRONT SETBACK WHERE 20 FEET IS REQUIRED; AND A WAIVER TO ALLOW A 6.2 FOOT SIDE YARD SETBACK WHERE 10 FEET IS REQUIRED FOR A COMMERCIAL USE on 0.15 acres at 708 South Jones Boulevard (APN 138-36-316-007), R-1 (Single Family Residential) Zone [PROPOSED: C-1 (Limited Commercial) Zone], Ward 1 (Tarkanian). The Planning Commission (6-0 vote) and staff recommend APPROVAL

140. ZON-5776 - PUBLIC HEARING - APPLICANT: S.B.A. DEVELOPMENT, INC. - OWNER: SF INVESTMENTS, LLC - Request for a Rezoning FROM: U (UNDEVELOPED) [R (RURAL DENSITY RESIDENTIAL) GENERAL PLAN DESIGNATION] TO: R-PD4 (RESIDENTIAL PLANNED DEVELOPMENT - 4 UNITS PER ACRE) on 2.16 acres adjacent to the southeast corner of Jones Boulevard and Madre Mesa Drive (APN 138-13-301-001), Ward 5 (Weekly). Staff recommends DENIAL. The Planning Commission (3-1-2 vote) recommends APPROVAL. [NOTE: Application has been revised to R-PD3 (Residential Planned Development - 3 Units per Acre)] (NOTE: This item will be held in abeyance to the 05/04/05 Council meeting)

PLANNING & DEVELOPMENT - DISCUSSION

141. VAR-5846 - PUBLIC HEARING - APPLICANT: S.B.A. DEVELOPMENT, INC. - OWNER: SF INVESTMENTS, LLC
 - Request for a Variance TO ALLOW AN R-PD (RESIDENTIAL PLANNED DEVELOPMENT) ZONING DISTRICT ON 2.16 ACRES WHERE 5.00 ACRES IS THE MINIMUM REQUIRED on property adjacent to the southeast corner of Jones Boulevard and Madre Mesa Drive (APN 138-13-301-001), U (Undeveloped) Zone [R (Rural Density Residential) General Plan Designation] [PROPOSED: R-PD4 (Residential Planned Development - 4 units per acre) Zone], Ward 5 (Weekly). Staff recommends DENIAL. The Planning Commission (3-1-2 vote) recommends APPROVAL. (NOTE: This item will be held in abeyance to the 05/04/05 Council meeting)

142. SDR-5778 - PUBLIC HEARING - APPLICANT: S.B.A. DEVELOPMENT, INC. - OWNER: SF INVESTMENTS, LLC
 - Request for a Site Development Plan Review FOR A PROPOSED NINE LOT SINGLE FAMILY RESIDENTIAL DEVELOPMENT on 2.16 acres adjacent to the southeast corner of Jones Boulevard and Madre Mesa Drive (APN 138-13-301-001), U (Undeveloped) Zone [R (Rural Density Residential) General Plan Designation] [PROPOSED: R-PD4 (Residential Planned Development - 4 units per acre) Zone], Ward 5 (Weekly). Staff recommends DENIAL. The Planning Commission (3-1-2 vote) recommends APPROVAL. (NOTE: Proposal as been amended to R-PD3 for 7 units) (NOTE: This item will be held in abeyance to the 05/04/05 Council meeting)

143. GPA-5762 - PUBLIC HEARING - APPLICANT: AMTI SUNBELT, LLP - OWNER: KOBIE CREEK, LLC - Request to amend a portion of the Centennial Hills Sector Plan FROM: DR (DESERT RURAL DENSITY RESIDENTIAL) TO: L (LOW DENSITY RESIDENTIAL) on 5.10 acres adjacent to the northwest corner of Decatur Boulevard and Gowan Road (APN 138-12-601-040), Ward 6 (Mack). The Planning Commission (6-0 vote) and staff recommend DENIAL

144. ZON-5765 - PUBLIC HEARING - APPLICANT: AMTI SUNBELT, LLP - OWNER: KOBIE CREEK, LLC - Request for a Rezoning FROM: R-E (RESIDENCE ESTATES) TO: R-1 (SINGLE FAMILY RESIDENTIAL) on 5.10 acres adjacent to the northwest corner of Decatur Boulevard and Gowan Road (APN 138-12-601-040), Ward 6 (Mack). The Planning Commission (6-0 vote) and staff recommend DENIAL

145. ZON-5809 - NOT TO BE HEARD BEFORE 4:00 P.M. - ABEYANCE ITEM - PUBLIC HEARING - APPLICANT: RICHMOND AMERICAN HOMES - OWNER: REGAL VILLAGE, LLC - Request for a Rezoning FROM: U (UNDEVELOPED) [R (RURAL DENSITY RESIDENTIAL) GENERAL PLAN DESIGNATION] TO: R-PD10 (RESIDENTIAL PLANNED DEVELOPMENT - 10 UNITS PER ACRE) on 6.86 acres adjacent to the north side of Ann Road, approximately 290 feet west of Rainbow Boulevard (APN 125-27-803-008), Ward 6 (Mack). Staff recommends DENIAL. The Planning Commission (4-1-1 vote) recommends APPROVAL. (NOTE: Request is now for R-PD8)

146. VAR-5810 - NOT TO BE HEARD BEFORE 4:00 P.M. - ABEYANCE ITEM - PUBLIC HEARING - APPLICANT: RICHMOND AMERICAN HOMES - OWNER: REGAL VILLAGE, LLC - Request for a Variance TO ALLOW 0.51 ACRES OF OPEN SPACE WHERE 1.09 ACRES IS THE MINIMUM AMOUNT REQUIRED IN CONJUNCTION WITH A PROPOSED 66 LOT SINGLE FAMILY RESIDENTIAL DEVELOPMENT on 6.86 acres adjacent to the north side of Ann Road, approximately 290 feet west of Rainbow Boulevard (APN 125-27-803-008), U (Undeveloped) Zone [R (Rural Density Residential) General Plan Designation] under Resolution of Intent to N-S (Neighborhood Service) [PROPOSED: R-PD10 (Residential Planned Development - 10 units per acre) Zone], Ward 6 (Mack). Staff recommends DENIAL. The Planning Commission (4-1-1 vote) recommends APPROVAL. (NOTE: Application is for 58 units)

147. SDR-5807 - NOT TO BE HEARD BEFORE 4:00 P.M. - ABEYANCE ITEM - PUBLIC HEARING - APPLICANT: RICHMOND AMERICAN HOMES - OWNER: REGAL VILLAGE, LLC - Request for a Site Development Plan Review FOR A PROPOSED 66 LOT SINGLE FAMILY RESIDENTIAL DEVELOPMENT on 6.86 acres adjacent to the north side of Ann Road, approximately 290 feet west of Rainbow Boulevard (APN 125-27-803-008), U (Undeveloped) Zone [R (Rural Density Residential) General Plan Designation] under Resolution of Intent to N-S (Neighborhood Service) [PROPOSED: R-PD10 (Residential Planned Development - 10 units per acre) Zone], Ward 6 (Mack). Staff recommends DENIAL. The Planning Commission (4-1-1 vote) recommends APPROVAL. (NOTE: Application is for 58 units)

SET DATE

148. SET DATE ON ANY APPEALS FILED OR REQUIRED PUBLIC HEARINGS FROM THE CITY PLANNING COMMISSION MEETINGS, CENTENNIAL HILLS ARCHITECTURAL REVIEW COMMITTEE AND DANGEROUS BUILDING OR NUISANCE/LITTER ABATEMENTS

CITIZENS PARTICIPATION

PUBLIC COMMENT DURING THIS PORTION OF THE AGENDA MUST BE LIMITED TO MATTERS WITHIN THE JURISDICTION OF THE CITY COUNCIL. NO SUBJECT MAY BE ACTED UPON BY THE CITY COUNCIL UNLESS THAT SUBJECT IS ON THE AGENDA AND IS SCHEDULED FOR ACTION. IF YOU WISH TO BE HEARD, COME TO THE PODIUM AND GIVE YOUR NAME FOR THE RECORD. THE AMOUNT OF DISCUSSION ON ANY SINGLE SUBJECT, AS WELL AS THE AMOUNT OF TIME ANY SINGLE SPEAKER IS ALLOWED, MAY BE LIMITED

THIS MEETING HAS BEEN PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS:

City Clerk's Bulletin Board, City Hall Plaza, 2nd Floor Skybridge
Court Clerk's Office Bulletin Board, City Hall Plaza
Las Vegas Library, 833 Las Vegas Boulevard North
Clark County Government Center, 500 S. Grand Central Parkway
Grant Sawyer Building, 555 E. Washington Avenue



CITY COUNCIL MEETING
CITY HALL, 400 STEWART AVENUE
COUNCIL CHAMBERS
WEDNESDAY, APRIL 6, 2005
1:00 P.M.

ADDENDUM:

PLANNING & DEVELOPMENT DEPARTMENT - DISCUSSION

- 94A. DIR-6223 - APPLICANT: TRIPLE FIVE NEVADA DEVELOPMENT CORPORATION -
Appeal of Director's decision per Title 19.00.070.F to deny the acceptance of the
application of a Request to amend the Master Plan of Streets and Highways TO
REALIGN A PORTION OF GRAND MONTECITO PARKWAY BETWEEN DORRELL
LANE AND DEER SPRINGS, Ward 6 (Mack). Staff recommends DENIAL

THIS MEETING HAS BEEN PROPERLY NOTICED AND POSTED AT THE FOLLOWING
LOCATIONS:

City Clerk's Bulletin Board, City Hall Plaza, 2nd Floor Skybridge
Court Clerk's Office Bulletin Board, City Hall Plaza
Las Vegas Library, 833 Las Vegas Boulevard North
Clark County Government Center, 500 S. Grand Central Parkway
Grant Sawyer Building, 555 E. Washington Avenue

EXHIBIT B

(Attach Copy of Affidavit of Publication of Notice of Public Hearing)

NOTICE
OF HEARING
CONCERNING
PROPOSED
ECONOMIC
DEVELOPMENT
REVENUE BONDS
OF THE CITY OF LAS VEGAS, NEVADA TO FINANCE AND REFINANCE A PROJECT FOR GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC., LOCATED AND TO BE LOCATED IN THE CITY OF NORTH LAS VEGAS, NEVADA.]

RECEIVED
CITY CLERK

2005 MAR 25 A 11:56

AFFP DISTRICT COURT
Clark County, Nevada

AFFIDAVIT OF PUBLICATION

STATE OF NEVADA)
COUNTY OF CLARK) SS:

Donna Stark, being 1st duly sworn, deposes and says:

That she is the Legal Clerk for the Las Vegas Review-Journal and the Las Vegas Sun, daily newspapers regularly issued, published and circulated in the City of Las Vegas, County of Clark, State of Nevada, and that the advertisement, a true copy attached for,

LV CITY CLERK
3895650

2296311LV

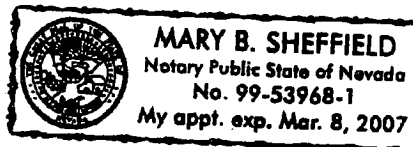
was continuously published in said Las Vegas Review Journal and/or Las Vegas Sun in 1 edition(s) of said newspaper issued from 03/18/2005 to 03/18/2005, on the following days: MARCH 18, 2005

Signed: Donna Stark

SUBSCRIBED AND SWORN BEFORE ME THIS THE 22

day of March 2005

Mary B. Sheffield
Notary Public



NOTICE IS HEREBY GIVEN that a public hearing will be held on April 6, 2005 at 9:00 a.m., or as soon thereafter as it may be heard, at the Council Chambers, Las Vegas City Hall Complex, 400 Stewart, Las Vegas, Nevada for the purpose of considering the proposed issuance by the City of Las Vegas, Nevada of economic development revenue bonds (the "Bonds") to be issued under the City Economic Development Revenue Bond Law, NRS 268.512 to 268.568, inclusive (the "Act"), for Goodwill Industries of Southern Nevada, Inc., a Nevada nonprofit corporation (the "Corporation") to finance the acquisition of a parcel of land and a building located on such land and the acquisition and installation of personal property and facilities in such building and on such land (the "Improvement Project") and the refinancing of outstanding indebtedness of the Corporation incurred in connection with the acquisition of furnishings and equipment (the "Refinancing Project") and together with the Improvement Project, the "Project"). The Improvement Project will be owned by the Corporation and used as its administrative headquarters and a retail processing facility and will be located at 1280 W. Cheyenne Avenue, North Las Vegas, Nevada. The facilities financed by the indebtedness to be refinanced with a portion of the proceeds of the Bonds are owned by the Corporation, are used as part of its administrative headquarters and retail processing facility which is currently located at 3585 Patrick Lane, Las Vegas, Nevada and as part of a retail store of the Corporation located at 7091 W. Craig Road, Las Vegas, Nevada. At such public hearing the City Council of the City (the "City Council") will consider information supplied by the Corporation and Nevada State Bank (the "Bank") to enable the City Council to make certain determinations required by the Act. Copies of the proposed resolution to be considered by the City Council after such hearing will be on file during the ten days prior to the public hearing, in the office of the City Clerk of the City of Las Vegas, Nevada, and will be available for inspection during normal and regular business hours. The Corporation has requested the City to issue the Bonds under the Act in the maximum aggregate principal amount of \$11,000,000 for the purposes outlined above. The Bonds shall be special, limited obligations of the City, payable from revenues derived by the City from a financing agreement be-

The improvement Project will be owned by the Corporation and used as its administrative headquarters and a retail processing facility and will be located at 1220 W. Cheyenne Avenue, North Las Vegas, Nevada. The facilities financed by the indebtedness to be refinanced with a portion of the proceeds of the Bonds are owned by the Corporation, are used as part of its existing administrative headquarters and retail processing facility which is currently located at 3585 Patrick Lane, Las Vegas, Nevada and as part of a retail store of the Corporation located at 7091 W. Craig Road, Las Vegas, Nevada. At such public hearing the City Council of the City (the "City Council") will consider information supplied by the Corporation and Nevada State Bank (the "Bank") to enable the City Council to make certain determinations required by the Act. Copies of the proposed resolution to be considered by the City Council after such hearing will be on file during the ten days prior to the public hearing, in the office of the City Clerk of the City of Las Vegas, Nevada, and will be available for inspection during normal business hours.

The Corporation has requested the City to issue the Bonds under the Act in the maximum aggregate principal amount of \$11,000,000 for the purposes outlined above. The Bonds shall be special, limited obligations of the City, payable from revenues derived by the City from a financing agreement between the City and the Corporation and from moneys drawn on an irrevocable letter of credit issued by the Bank (or by another financial institution issuing a replacement letter of credit). The Bonds shall never constitute the debt or indebtedness of the City within the meaning of any provision or limitation of the constitution of the State of Nevada or statutes, and shall not constitute nor give rise to any secular liability of the City or a charge against its general credit or taxing powers.

All interested persons are invited to attend the public hearing, which will be the only public hearing held by the City prior to the consideration by the City Council of a resolution authorizing the issuance of the Bonds. Persons wishing to submit written comments in lieu of or in addition to speaking at the public hearing should submit such comments to the City Council not later than the time of the public hearing.

Publication Date:
March 18, 2005
By order of the City Council of the City of Las Vegas, Nevada this February 16, 2005.
/s/ Barbara Jo Ronemus, City Clerk
PUB: March 18, 2005
LV Review-Journal

Signed: Donna Stark

SUBSCRIBED AND SWORN BEFORE ME THIS THE 22

day of March 2005

Mary B. Sheffield
Notary Public

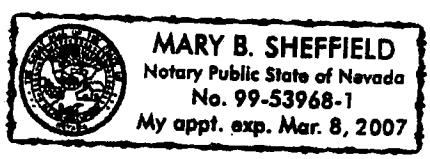


EXHIBIT C

(Attach Copy of Minutes of Public Hearing

AGENDA SUMMARY PAGE
CITY COUNCIL MEETING OF: APRIL 6, 2005

DEPARTMENT: FINANCE & BUSINESS SERVICES

DIRECTOR: MARK R. VINCENT

☐ **CONSENT** ☒ **DISCUSSION**

SUBJECT:

RESOLUTIONS:

R-37-2005 - Public hearing and possible action on a resolution authorizing the issuance and sale of economic development revenue bonds (\$9,645,000) for Goodwill Industries of Southern Nevada, Inc.

Fiscal Impact:

☒ No Impact	Amount:
☐ Budget Funds Available	Dept./Division:
☐ Augmentation Required	Funding Source:

PURPOSE/BACKGROUND:

These Economic Development Bonds will finance the acquisition of a parcel of land and certain facilities for Goodwill Industries of Southern Nevada, Inc. The improvement project will be owned by the Corporation, and will be used as its administrative headquarters and a retail processing facility, and will be located in the City of North Las Vegas. These bonds will not represent an indebtedness of the City and will be repaid pursuant to an agreement between the City and the Goodwill Industries of Southern Nevada, Inc. and from moneys drawn from an irrevocable letter of credit.

RECOMMENDATION:

Staff recommends approval.

BACKUP DOCUMENTATION:

1. Resolution No. R-37-2005
2. Submitted at meeting - Support letter from Arnold Stalk, Member of the Board of Directors for Goodwill of Southern Nevada, Inc.

MOTIONS:

REESE - APPROVED as recommended - UNANIMOUS

MINUTES:

MAYOR GOODMAN declared the Public Hearing open.

MARK VINCENT, Director, Finance and Business Services, indicated this matter concerns the issuance of economic development bonds, which are covered under NRS 268. The City has an economic development policy that allows the issuance of bonds to corporations of public benefit, as previously done for the Agassi Foundation for its expansion of the Charter School, expanding or maintaining facilities in the City limits or within ten miles of the City limits.

In this case, Goodwill Industries is seeking issuance of revenue bonds for a 74,000 square-foot facility on 4.39 acres located right outside the City limits, on the northeast corner of Martin Luther King and Cheyenne. The bonds to be issued, which he noted are not obligations of the City, are in the amount of \$9,645,000. They are secured by a financing agreement with Goodwill Industries and backed by an irrevocable letter of credit from Nevada State Bank. The City of North Las Vegas also passed a resolution supporting this economic development bond. Staff has reviewed the five-year operating history of Goodwill Industries and Nevada State Bank. Nevada State Bank has achieved the rating of

CITY COUNCIL MEETING OF: APRIL 6, 2005

MINUTES - continued:

A-2, which meets the NRS requirements. Johnson Consulting Group assessed that Goodwill Industries has sufficient resources in place to open and maintain this facility. Staff is recommending approval, because this project serves a public benefit that will encourage job creation.

ARNOLD STALK, 7432 West Sahara Avenue, member of the Board of Directors for Goodwill Industries of Southern Nevada, Inc., and member of the Capital Campaign Committee, commented that this Resolution is for the City of Las Vegas to serve as the conduit this year for the State of Nevada Economic Development Bonds to fund the Good Neighbor Facility. These bonds do not represent an indebtedness of the City of Las Vegas and will be repaid pursuant to an agreement between the City and Goodwill Industries for monies drawn from an irrevocable letter of credit. This facility will be a state-of-the-art education base center that will allow for the training each year of hundreds of people with disabilities. The facility is currently under construction. As a direct result of Goodwill's efforts, over 700 people have become employed and transitioned from being recipients of welfare to taxpayers. He thanked the Council for consideration of this matter.

MAYOR GOODMAN submitted a letter to the City Clerk from MR. STALK for the minutes.

TOM McGOWAN, Las Vegas resident, requested to see site elevations. He then noted that MR. STALK is responsible for starting the M.A.S.H. facility, which did a lot of good for this City. MR. STALK is a modest man responsible for creating facilities to help people and to redevelop blighted areas.

BEATRICE TURNER, West Las Vegas resident, expressed her support of the facility because she has a patient who will be going there.

COUNCILMEMBERS REESE and TARKANIAN said that Goodwill Industries provides great services for some of the citizens of Las Vegas. MAYOR GOODMAN noted that the economic impact of Goodwill Industries in this community is impressive and substantial.

MAYOR GOODMAN declared the Public Hearing closed.

(11:58 - 12:09)

2-3393/3-1

**CITY OF LAS VEGAS, NEVADA
ECONOMIC DEVELOPMENT REVENUE BOND
AND VOLUME CAP POLICY**

An official application in the form attached hereto must be filed with the City of Las Vegas' (the "City") economic development bond coordinator. Three copies of the application must be prepared. One copy must be delivered by the applicant to the City's financial advisor, one copy must be delivered by the applicant to the City's bond counsel, and one, accompanied by: (i) a nonrefundable application fee of \$1,000.00 payable to the City of Las Vegas, Nevada, (ii) a \$1,000.00 deposit for fees of City bond counsel payable to the City of Las Vegas, Nevada, and (iii) a written commitment to pay any additional expenses of the City or its consultants incurred in connection with processing the application must be filed with the City's economic development bond coordinator. Any portion of the deposit for fees of City bond counsel which is not used will be returned to the applicant.

EXHIBIT A

APPLICATION

A. Beneficiary Information:

Name:	Goodwill of Southern Nevada, Inc.
Address:	3585 Patrick Lane, Suite 100
	Las Vegas, Nevada 89120
Telephone:	(702) 597-1107
Fax:	(702)
Contact Person:	Steve Chartrand, President/CEO

Proposed Bond Counsel:

Name:	Swendseid & Stern
Address:	50 West Liberty Street, Suite 1000
	Reno, NV 89501
Telephone:	(775) 323-1980
Fax:	(775) 323-2339
Contact Person:	John Swendseid

B. Proposed Underwriter:

Name:	Zions First National Bank
Address:	50 Glen Avenue
	Newton Center, MA 02459
Telephone:	(617) 969-3400
Fax:	(617) 969-3410
Contact Person:	Susan Winshall

-
- C. Brief Description of the Project. Include address or other description of location, type of project (e.g., "multi-family housing", "manufacturing facility"), size of the Project and other brief description of the Project. If the Project is multi-family housing, specify what percent of the units will be set aside for individuals of low income.**
-

Acquisition of a 71,026 square foot building to be used as an administrative headquarters, processing, training and retail selling facility. The new building will be located on 4.39 acres (to be parceled) in the Cheyenne marketplace, located on the north side of Cheyenne, at the northeast corner of Martin Luther King Boulevard in North Las Vegas, Nevada. The facility will have been built to suit specifically for the Borrower.

In addition, approximately \$189,000 will be used to refinance outstanding notes originally issued to finance various facilities and equipment.

-
- D. Amount of Bonds proposed to be issued:**
-

Maximum \$11 million

Amount of Volume Cap requested from the City: Not applicable

-
- E. * Please provide below or in an attachment, evidence that the Project will serve one or more of the purposes set forth in NRS 268.524.**
-

The Project will serve the purpose set forth under NRS 268.524(5). The Project will promote the social welfare of the residents of the City by enabling corporations for public benefit to acquire, develop, expand and maintain facilities that provide services for those residents.

-
- F.* Please attach evidence (e.g., Project budget, construction contract) of the amount of money necessary to be provided from bonds for the Project.**
-

Please see Attachment A - Estimated Sources and Uses of Funds.

* Need not be completed if this is an application only for a transfer of volume cap to another entity.

G.* Does the Beneficiary or guarantor of the Bonds have a 5-year operating history? If "yes", please attach the 5-year operating history. If "no", State Board of Finance approval is required before bonds can be issued.

Goodwill of Southern Nevada, Inc. has a 5 year operating history.

The Bonds will be credit enhanced by an irrevocable direct pay letter of credit to be issued by Nevada State Bank. Attached to this application is a 5-year operating history for Zions Bancorporation which includes financial information for Nevada State Bank.

H. What rating do you anticipate all of the bonds will have (the City will only issue or request the issuance of bonds that are investment grade – i.e., rated in the top four rating categories by Standard & Poor's or Moody's):

The current financing plan contemplates that the Bonds will be issued as 7-day variable rate "floater" bonds, and credit enhanced by an irrevocable, direct pay Letter of Credit from Nevada State Bank. A rating for Nevada State Bank has been applied for from Moody's and is expected to be released on February 15, 2005. Nevada State Bank's parent company Zions Bancorporation is currently rated A2 from Moody's. Nevada State Bank anticipates that its rating will be the same.

Is the rating based on the general credit of the Beneficiary?

The rating will be based on Nevada State Bank's (the Letter of Credit provider) credit rating.

If yes, does the Beneficiary currently have debt obligations outstanding secured by its credit which are rated?

The Beneficiary has no rated debt outstanding.

What is the rating?

Not applicable.

* Need not be completed if this is an application only for a transfer of volume cap to another entity.

If it is anticipated that the Bonds will be rated based on the credit rating of an enterprise which guarantees the payment of principal and interest on the Bonds, please provide the name, address, telephone number of a contact person at that enterprise:

Name of Enterprise:	<u>Nevada State Bank</u>
Name:	<u>James Rimpo, Senior Vice President</u>
Address:	<u>750 E. Warm Springs Rd., 4th Floor</u>
	<u>Las Vegas, NV 89119</u>
Telephone:	<u>(702) 855-4546</u>

Does that enterprise have outstanding obligations which are rated?

No

If "yes", what is that rating?

Not applicable

Evidence (e.g., rating letters or press release from, or excerpts from rating books published by Standard & Poor's or Moody's) of the rating of the Beneficiary or other enterprises which will guarantee the payment of principal and interest on the Bonds should be attached to the application if available; otherwise, attach a letter stating when the rating would be available. If it is rated by more than one agency, please attach a copy of rating materials from both agencies.

Moody's rating report to be provided when available.

-
- I. Please attach evidence (e.g., annual reports, audited financial statements, a feasibility study, commitment for a Letter of Credit, etc.) that the Beneficiary has sufficient financial resources to place the Project in operation and to continue its operation, meeting its obligations to pay the Bonds. For housing projects that will be financed with bonds issued by the City or with bonds that the City requests that the State issue, the Beneficiary must agree to provide the City with monies for the City to fund a feasibility study. If a Letter of Credit or other guarantee is to secure the Bonds, a commitment letter or a letter from the institution that will issue the Letter of Credit or guarantee the Bonds which lists the conditions which must be met before the Letter of Credit or guarantee is issued should accompany the application; otherwise, attach a letter stating when the commitment letter will be available.**
-

Please refer to Attachment B - Commitment letter from Nevada State Bank.

- J. Please attach a letter from the underwriter or other proposed buyer of the Bonds indicating a commitment to underwrite or purchase the Bonds.**
-

Please refer to Attachment C - Underwriter's Commitment Letter.

- K. Are all the necessary zoning and land use approvals for the Project in place?**
-

Yes

Are there any impediments to obtaining a building permit to commence construction of the Project?

No

If "yes", please explain.

Not applicable.

Evidence (e.g., copies of permits and zoning approvals resolutions) that all required governmental land use approvals (including zoning or special use permit approvals) for the Project must be attached.

Please refer to Attachment D - City of North Las Vegas Building Permit

L. Is the Project located outside the City of Las Vegas?

If "yes", please attach evidence that the governing body of the jurisdiction in which the Project is located supports the Project.

Yes

Attached is an ordinance of the City of North Las Vegas supporting the project. The City of North Las Vegas has told the Underwriter that it desires the City of Las Vegas to issue the Bonds and it is anticipated the City Council of North Las Vegas will adopt a resolution on March 16 approving the issuance of the Bonds by the City of Las Vegas.

See Attachment E - Ordinance No. 1743 adopted November 18, 2002

M. Briefly state the impact of the Project on the City's tax base.

Goodwill of Southern Nevada, Inc. is a not for profit entity. As a result, the Project will have no impact on the City's tax base.

N. Provide a brief description of the benefit to the City and its citizens from the Project.

As stated in Section E, the Project will promote the social welfare of the residents of the City by enabling corporations for public benefit to acquire, develop, expand and maintain facilities that provide services for those residents.

O. Please provide a brief description of the effect of the Project on the City's environment and natural resource.

The project will have no effect on the City's environment and natural resources.

Enclosed is a non-refundable application fee of \$1,000 payable to the City of Las Vegas, Nevada, and a \$1,000 deposit of fees for City Bond Council, payable to the City of Las Vegas, Nevada. The undersigned hereby commits to pay any additional expenses of the City and its consultants incurred in connection with processing the application.

If this is an application for the issuance of bonds by the City, the undersigned and its bond counsel have reviewed the procedural requirements of the City's guidelines in Section 6 thereof and will furnish a copy of those requirements to all attorneys, accountants and consultants involved in the transaction.

THE UNDERSIGNED HEREBY CERTIFIES THAT HE OR SHE HAS REVIEWED THE FOREGOING APPLICATION AND THE CITY'S ECONOMIC DEVELOPMENT REVENUE BOND AND VOLUME CAP POLICY AND GUIDELINES AND TO THE BEST KNOWLEDGE OF THE UNDERSIGNED, THIS APPLICATION COMPLIES WITH THE REQUIREMENTS OF THOSE GUIDELINES.

Dated this JANUARY 31, 2005

Beneficiary



By: Steve Chartrand

Title: President/CEO

Note: The attachments mentioned in Paragraphs H, I, J and K must be attached to this application. The attachments mentioned in Paragraphs F, G, and L must also be attached if they are applicable to this application.

GOODWILL OF SOUTHERN NEVADA, INC.

11561

City of Las Vegas

Check Date: Jan 26, 2005
Check Amount: \$1,000.00

Item to be Paid - Description

Invoice Date

Amount Paid

building permit

1,000.00



GOODWILL
of Southern Nevada, Inc.
3585 PATRICK LANE, SUITE 100
LAS VEGAS, NV 89120
(702) 597-1107



NEVADA STATE BANK
P.O. Box 990
Las Vegas, NV 89125-0990

11561

94-77/1224

DATE

AMOUNT

Jan 26, 2005

***\$1,000.00

PAY One Thousand and 00/100 Dollars

TO THE
ORDER
OF City of Las Vegas

TWO SIGNATURES REQUIRED
VOID AFTER 90 DAYS

[Signature] MP
[Signature] MP

SAFEGUARD SECUR

011561 1224007790322007063

City of Las Vegas

Check Date: Jan 26, 2005
Check Amount: \$1,000.00

Item to be Paid - Description

Invoice Date

Amount Paid

building permit

1,000.00



GOODWILL
of Southern Nevada, Inc.
3585 PATRICK LANE, SUITE 100
LAS VEGAS, NV 89120
(702) 597-1107



NEVADA STATE BANK
P.O. Box 990
Las Vegas, NV 89125-0990

94-77/1224

11562

PAY One Thousand and 00/100 Dollars

TO THE
ORDER
OF City of Las VegasDATE
Jan 26, 2005AMOUNT
***\$1,000.00TWO SIGNATURES REQUIRED
VOID AFTER 90 DAYS

MP

MP

SAFEGUARD SECURE
SAFEGUARD SECURE

⑈011562⑈ ⑆122400779⑆0322007063⑈

ATTACHMENT A

ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds:	<u>Sources</u>	
	Par Amount of Bonds	\$9,645,000
	Borrower Contribution *	97,633
	Total Sources:	<u>\$9,742,633</u>
Estimated Uses of Funds:	<u>Uses</u>	
	Acquisition	\$7,793,782
	Processing Equipment	702,822
	Communications Technology	72,100
	Office and Training FF&E	109,000
	Facility Enhancements	117,000
	Loan Consolidation	120,000
	Capitalized Interest	511,319
	Costs of Issuance (including LC fees)	316,610
	Total Uses:	<u>\$9,742,633</u>

* Tax law provides that 2% of issuance costs may be capitalized within the proceeds of the bond issue. Additional issuance costs must be paid through a Borrower equity contribution at closing.

ATTACHMENT B

COMMITMENT LETTER FROM NEVADA STATE BANK

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
Irrevocable Direct Pay Letter of Credit "Enhancement" to support
\$9,800,000 Tax Exempt Variable Rate Revenue Bonds
SUMMARY OF TERMS AND CONDITIONS

BORROWER: Goodwill Industries of Southern Nevada, Inc., a Nevada non-profit corporation (the "Borrower").

GUARANTOR: None.

TAX EXEMPT BONDS: up to \$9,800,000 City of Las Vegas, Nevada Revenue Bonds (to be confirmed); proceeds to be used to finance 100% of project cost to purchase a 71,026 square foot office/warehouse building to be used for administrative headquarters, processing, training and retail facility.

The Bonds will require an Irrevocable, Direct Pay Letter of Credit for the full amount of principal, which will include 12 months of capitalized interest.

BOND REPAYMENT: Annual principal reductions and monthly interest payments, based on a 24-year amortization; interest only for the first 12 months; payable in arrears.

L/C PROVIDER: NSB and its Co-Lender Participants (together "Lenders") on a pro-rata basis.

LETTER OF CREDIT FEE: 2.00% annual Letter of Credit fee, payable quarterly in arrears. In the event the Bonds are pre-paid to \$7,000,000 or less, the Letter of Credit Fee will be reduced to 1.75% per annum.

MATURITY: Letter of Credit will be issued for an initial term of 5 years, subject to automatic annual renewals thereafter, unless the L/C Provider (or any of its Participants) provides 60 days prior written notice of non-renewal.

SECURITY: Collateral for the Letter of Credit consists of a first Deed of Trust on land & improvements located on the north side of Cheyenne, at the northeast corner of Martin Luther King Blvd in North Las Vegas. In addition, UCC and Security Agreement required on all corporate assets, including equipment, inventory, accounts receivable, and a negative pledge on cash accounts.

VALUATION: The property and improvements contemplated by this loan must have an MAI appraised “As Complete” valuation of at least \$7,000,000.

PREPAYMENT: The Borrower may prepay the Bonds in whole or in part at any time without penalty. The Letter of Credit will be reduced accordingly, with each Participants’ pro rata share reduced such that at no time will any Participant be obligated for an amount greater than their original percentage share.

LETTER OF CREDIT REIMBURSEMENTS: All drawings under the L/C shall be reimbursed by Borrower on the same business day.

CONDITIONS TO CLOSING: Customary for this type of transaction, including but not limited to:

1. Review and approval of documentation for bond financing.
2. Perfection of first priority lien on project site and other collateral.
3. ALTA Lender’s Policy and acceptable insurance.
4. “As Built” MAI Appraisal indicating value of at least \$7,000,000.
5. Satisfactory Phase I Environmental Audit completed within the past 12 months.

COVENANTS: Borrower to provide quarterly internally prepared financial statements, audited fiscal year-end financial statements and corporate tax returns:

1. Minimum debt service coverage of 1.20x, to be measured quarterly on a rolling 4-quarter basis, starting 12 months from Date of Occupancy, defined as EBITDA divided by debt service. For purposes of financial covenant, EBITDA means, for any twelve month period, the Borrower’s earnings before depreciation, amortization, and interest expense (taxes not applicable due to non-profit status); Debt Service to include payments on bonds, bank loans and capital leases.
2. Minimum Cash Account to be maintained at NSB and monitored quarterly starting 3 months from Date of Occupancy of at least \$490,000, or 5% of the Bond Issue, to be increased by not less than \$50,000 per year. Perfected security interest in this account not allowed per typical tax-exempt bond terms, but Bank will require a Negative Pledge.
3. Borrower to establish a separate Debt Service Reserve Account to be funded through operating profits and/or donations, with balance to be monitored quarterly starting 12 months from Date of Occupancy and balance to be no less than 6 months projected Bond payments.
4. Borrower will deposit all funds received from grants, pledges or donations made for the purpose of funding the Capital Campaign into a fund established at NSB in a minimum amount of \$50,000 per year.

Borrower will have option of applying funds as prepayment of the Bonds or maintaining balance in the account.

5. Prohibition on additional debt, except for purchase money financing and capital leases for equipment and fixtures, not to exceed \$150,000 annually without L/C Provider's approval.

6. Additional Capital Expenditures in an aggregate amount not to exceed \$150,000 in any fiscal year without L/C Provider's approval.

**WAIVERS AND
AMENDMENTS:**

Waivers and amendments of the provisions of the Letter of Credit & Reimbursement Agreements and other documentation will require approval of the Lenders.

**ESTIMATED
CLOSING:**

December '04 - March '05

If bonds close prior to completion of building (issuance of CofO), proceeds will be held by Bank and L/C will be 100% cash-secured until close of escrow on real estate.

NSB CONTACT:

James Rimpo, Senior Vice President
Nevada State Bank
750 East Warm Springs Road, Suite 400
Las Vegas, NV 89119
(702) 855-4546 FAX (702) 914-4556
email: jrimpo@nsbank.com

ATTACHMENT C

UNDERWRITER'S COMMITMENT LETTER

ZIONS BANK[®]

February 1, 2005

Mr. Steve Chartrand
President and CEO
Goodwill of Southern Nevada, Inc.
3585 Patrick Lane, #100
Las Vegas, NV 89120

Re: Goodwill of Southern Nevada, Inc.
\$9.8 Million Tax-Exempt Revenue Bonds – Series 2005

Dear Steve,

Zions First National Bank intends to serve as underwriter and remarketing agent for the above referenced bond issue. The Bonds will be structured as tax-exempt, variable rate demand bonds. The Bonds will be backed by a Direct Pay Letter of Credit from Nevada State Bank that provides credit enhancement and liquidity support on behalf of the Borrower. The Bonds will carry a minimum "A" rating.

We will execute a Bond Purchase Agreement upon the final pricing of the Bonds. We anticipate the bond issue will close within 60 days. Please call me with any questions you may have.

Sincerely,



Susan Winshall
Managing Director

ATTACHMENT D

CITY OF NORTH LAS VEGAS BUILDING PERMIT

BUILDING PERMIT

BUILDING SAFETY DIVISION - CITY OF NORTH LAS VEGAS, NEVADA
FOR INSPECTIONS CALL 633-1576 BETWEEN 7:30 AM AND 3:30 PM Mon. - Fri.

Permit No.: 28021

Date of Issue: 7/7/2004

Parcel 13909801008

Job Address: 1280 W CHEYENNE AVE

OwnerCHEYENNE MARKETPLACE LLC
2895 CARMELOContractor

SUNDANCE BUILDERS LLC

City Lic No: 68584

4435 E COLTON AVE, STE 107

LAS VEGAS, NV 89115-

State Lic No: 48735 B,2

Project Description: GOODWILL @ CHEYENNE MARKET

CONSTRUCT NEW 2-STORY TILT-UP RETAIL & OFFICE CENTER. OFFICE AREA = 19,974 SF, RETAIL AREA = 7,330 SF, WAREHOUSE - 45,170. ADDING 42 PLUMBING FIXTURES (17 SINKS, 15 TOILETS, 4 URINALS, 4 DRINKING FOUNTAIN, 2 FLOOR DRAINS) *UNDER UBC-97 PER STEVE KUNKEL* SEE APPROVED PLANS FOR COMPLETE DETAILS. PLUMBING, ELECTRICAL & MECHANICAL PLANS APPROVED UNDER THIS APPLICATION - REQUIRES SEPARATE PERMITS.

THIS FACILITY REQUIRES SPRINKLER SYSTEM

CONT: ERIC GARRISS, 327-6179

Type of Work: COMNEW

Type of Const.: III-N

Occ. Group: B,M,F2

Occ. Load: 796

Stories: 2

Bldg. Height: 35

Dwell Units:

Total Sq. Ft.: 72,474

Living Area: 72,474

Garage Area:

Linear Ft.:

Valuation: \$3,003,222.00

Zoning:

Fee Description

PLANS REVIEW FEE >100

PERMIT FEE >100

SEWER CONNECTION FEE - OFFICE/WHISE

SEWER PERMIT FEE

TRANSPORTATION FEE

PLANS REVIEW BALANCE

SEWER CONNECTION FEE - RETAIL,

ZONING REVIEW FEE

FeesAmountStatus

\$5,797.74

PAID

\$10,060.21

PAID

\$29,564.00

PAID

\$35.00

PAID

\$47,108.10

PAID

\$741.39

PAID

\$4,496.00

PAID

\$1,106.02

PAID

Total: \$95,808.46

I have read the above and know the contents thereof to be true and correct. I further state that I am familiar with any ordinances of the city of North Las Vegas and with the statutes of the State of Nevada now in effect covering the construction of structures of the type above and agree to construct said structure in conformity therewith. I further agree any error in checking the plans submitted herewith or in examination of the above on the part of the inspector or engineer does not relieve me, the applicant, of the responsibility to comply with all state and local codes, ordinances and laws governing same.

Notice to home owners: Per Nevada Revised Statutes 278.573, state law requires construction to be done by licensed contractors. You have applied for a permit under an exemption to that law. The exemption allows you, as the owner of your property, to act as your own contractor with certain restrictions although you do not have a license. You must directly supervise the construction, on the job, yourself. The building or residence must be for your own use or occupancy. It may not be built or substantially improved for sale or lease. If you sell or lease a building you have built or substantially improved yourself within 1 year after the construction is complete, it is presumed that you built or substantially improved it for sale or lease, which is a violation of this exemption and a violation of chapter 624 of NRS. You may not hire an unlicensed person to act as your contractor or to supervise people working on your building. It is your responsibility to make sure that people employed by you have the licenses required by state law and by county or municipal licensing ordinances. You may not delegate the responsibility for supervising work to a contractor unless he is licensed to perform the work being done. person working on your building who is not licensed must work under your direct supervision and must be employed by you, which means that you must deduct FICA and withholding tax and provide industrial insurance and pay the required contribution for unemployment compensation for that employee, and comply with other state and federal laws relating to employment. Your construction must comply with all applicable laws, ordinances, building codes and zoning regulations.

****THIS PERMIT EXPIRES 180 DAYS FROM ISSUANCE**** Homeowner is responsible to maintain proper drainage

Signed (Applicant):

Approved (Bldg. Div.):

HansonPACBuildingPermitMulti.rpt

3 - Customer Copy

ATTACHMENT E

ORDINANCE NO. 1743 ADOPTED NOVEMBER 18, 2002

Mayor
Michael L. Montandon

Councilmen
William E. Robinson
Stephanie S. Smith
Shari Buck
Robert L. Eliason



Your Community of Choice

City Clerk's Office

2200 Civic Center Drive • North Las Vegas, Nevada 89030-6307
Telephone: (702) 633-1030 • Fax: (702) 649-3846

www.cityofnorthlasvegas.com

December 19, 2002

DEC 20 2002
City Manager
Kurt Fritsch



Assistant City Manager
Gregory E. Rose

Assistant City Manager
Dan Tarwater

George Garcia
G. C. Garcia, Inc.
Suite 108
2501 No. Green Valley Parkway
Henderson, NV 89014

SUBJECT: ORDINANCE NO. 1743 (ZN-23-89, CHEYENNE MARKET PLACE)

Dear Mr. Garcia:

At the December 18, 2002 meeting of the North Las Vegas City Council, Ordinance No. 1743 was passed and adopted. A conformed copy is enclosed for your records.

Should you have any questions regarding this matter, please feel free to contact Donna Kristaponis, Director, Development Services Department, at 633-1519.

Sincerely,

Karen L. Storms, CMC
Assistant City Clerk

aa

Enc. Ordinance No. 1743

cc: Donna Kristaponis Director, Development Services Department



ORDINANCE NO. 1743

DEC 20 2002

AN ORDINANCE RELATED TO ZONING; AMENDING ORDINANCE NUMBER 1552 WHICH RECLASSIFIED CHEYENNE MARKET PLACE (ZN-23-89) TO A PUD PLANNED UNIT DEVELOPMENT, BY AMENDING CONDITION NUMBER THIRTY-EIGHT (38), ADDING CONDITIONS FORTY-FOUR (44) THROUGH FIFTY (50); AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO.

WHEREAS, the amendment is consistent with the Comprehensive Plan; and

WHEREAS, the Council determines that the amendment will not adversely affect the health and general welfare; and,

NOW THEREFORE, the City Council of the City of North Las Vegas does ordain:

SECTION 1: In accordance with the provisions of Ordinance No. 1743, the conditions of Ordinance 1552 shall be amended as follows:

Condition Number THIRTY-EIGHT (38) shall be amended to read as follows: That the commercial uses in this Planned Unit Development shall only be those allowed in the C-1 Neighborhood Commercial District as principally permitted uses, or as special uses subject to Title 17 § 24.020, with the exception of the following:

- a. That Goodwill Industries of Southern Nevada be permitted to conduct retail sales, offices, training and warehousing. The warehousing operation shall not exceed 50,000 square feet.

Conditions Number 44, 45, 46, 47, 48, 49 and 50 shall be added as follows:

44. That all parking of trucks and/or trailers take place within designated truck parking stalls located adjacent to the north side of the building's loading docks; and
45. That all activities associated with the commercial center take place within the buildings; and
46. That the development of the commercial center located at the northeast corner of Martin Luther King Boulevard and Cheyenne Avenue be in conformance with the Commercial Development Standards and Design Guidelines, unless specifically mentioned herein. Where there is a conflict with the conditions stated herein, the more restrictive shall apply.
47. Trailer storage shall be prohibited on the site.
48. Truck arrivals and departures for the Goodwill Center shall be limited to the hours of 9:00 a.m.-5:00 p.m.

49. The loading docks shall be screened from the adjacent residential development. Such screening shall be subject to Planning Commission review and approval during the final development plan.
50. Thirty-six inch (36") box trees, spaced at 15 feet on center shall be planted within the landscaped areas next to the residential property line to serve as a landscaped screen for the loading docks. Such landscaping shall be subject to staff review and approval.

SECTION 2: NON-INFRINGEMENT OF RIGHTS. The City Council of the City of North Las Vegas has been informed by the City Attorney as to the constitutionality of this ordinance and based upon such information we are adopting this ordinance in good faith with a reasonable belief that the actions taken by the City of North Las Vegas are not in violation of any rights, privileges, or immunities secured by the laws providing for equal rights of citizens or persons.

SECTION 4: SEVERABILITY. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall in no way affect the validity and enforceability of the remaining provisions of this Ordinance.

SECTION 5: EFFECTIVE DATE. This Ordinance shall become effective after its passage by the City Council of the City of North Las Vegas and, after such passage by the City Council, publication once by title in a newspaper qualified pursuant to the provisions of Chapter 238 of NRS, as amended from time to time.

SECTION 6: PUBLICATION. The City Clerk shall cause this Ordinance, immediately following its adoption, to be published once by title, together with the names of the Councilmen voting for or against passage, in a newspaper qualified pursuant to the provisions of Chapter 238 of NRS, as amended from time to time.

PASSED AND ADOPTED THIS 18th day of December, 2002.

AYES: Mayor Montandon, Mayor Pro Tempore Robinson, Council Member Buck

NAYS: Council Members Smith and Eliason

ABSENT: None

APPROVED:

/s/ Michael L. Montandon
MICHAEL L. MONTANDON, MAYOR

ATTEST:

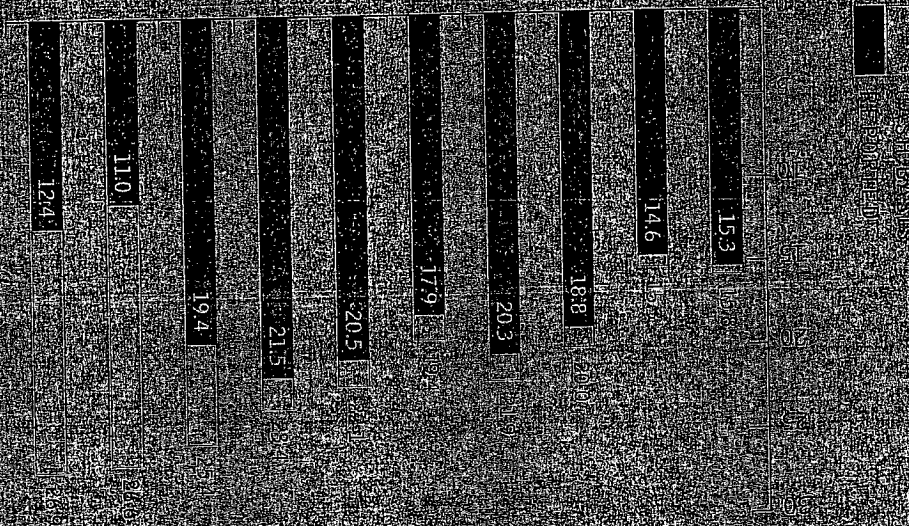
/s/ Eileen M. Seigny
EILEEN M. SEIGNY, CITY CLERK

**NEVADA STATE BANK'S
5-YEAR OPERATING HISTORY**

ZIONS BANCORPORATION
ANNUAL REPORT 1999

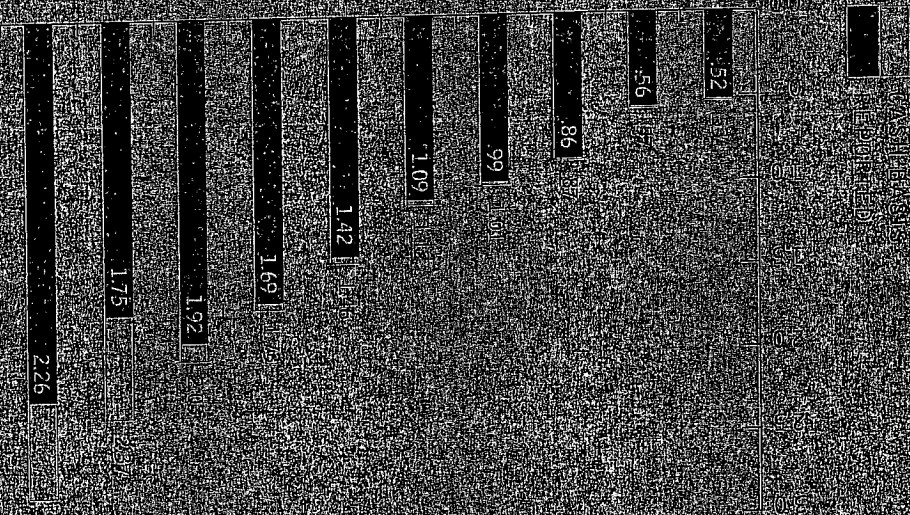
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Financial Highlights

For the Year (in millions)	99/98 Change	1999	1998	1997	1996	1995
Net income	+ 35%	\$194.1	\$143.4	\$131.4	\$112.8	\$90.8
Operating cash earnings ¹	+ 25%	243.8	194.4	138.3	115.0	93.0
Per Share						
Net income (diluted)	+ 29%	\$ 2.26	\$ 1.75	\$1.92	\$ 1.69	\$ 1.42
Net income (basic)	+ 29%	2.29	1.77	1.95	1.71	1.44
Operating cash earnings (diluted) ¹	+ 20%	2.84	2.37	2.03	1.73	1.46
Dividends declared	+ 33%	.72	.54	.47	.43	.35
Book value ²	+ 12%	19.39	17.39	12.50	9.00	7.83
Market price – end		59.19	62.38	45.38	26.00	20.06
Market price – high		75.88	62.38	46.00	26.00	20.28
Market price – low		49.00	38.38	25.69	16.69	8.88
At Year End						
Assets	+ 12%	\$20,281	\$18,050	\$10,794	\$7,353	\$6,302
Loans and leases	+ 14%	12,791	11,219	5,463	3,942	3,213
Loans sold being serviced ³	+ 18%	1,252	1,057	1,050	868	831
Deposits	- 1%	14,062	14,221	7,830	5,301	4,675
Shareholders' equity	+ 14%	1,660	1,453	857	569	480
Performance Ratios						
Return on average assets		.97%	1.00%	1.35%	1.58%	1.45%
Return on average common equity		12.42%	10.98%	19.40%	21.54%	20.52%
Efficiency ratio		66.55%	70.10%	59.33%	56.50%	59.08%
Net interest margin		4.31%	4.56%	4.29%	4.69%	4.67%
Operating Cash Performance Ratios¹						
Return on average assets		1.27%	1.41%	1.45%	1.62%	1.49%
Return on average common equity		26.87%	26.56%	25.40%	23.36%	22.06%
Efficiency ratio		60.33%	61.32%	57.99%	55.96%	58.40%
Capital Ratios²						
Equity to assets		8.18%	8.05%	7.94%	7.73%	7.61%
Tier 1 leverage		6.16%	5.91%	6.92%	8.91%	6.43%
Tier 1 risk-based capital		8.64%	8.40%	11.96%	14.36%	11.30%
Total risk-based capital		11.29%	11.34%	13.85%	16.71%	13.94%
Selected Information						
Average common-equivalent shares (in thousands)		85,695	81,918	68,258	66,547	63,871
Common dividend payout ratio		29.33%	28.40%	22.10%	22.20%	22.68%
Full-time equivalent employees		6,833	7,099	4,652	3,327	3,085
Commercial banking offices		362	345	241	153	141
ATMs		484	476	495	337	264

¹ Before amortization of goodwill and core deposit intangible assets and merger expense.

² At year end.

³ Amount represents the outstanding balance of loans and receivables sold and being serviced by the Company, excluding long-term first mortgage residential real estate loans.

TO OUR SHAREHOLDERS:

The year 1999 will long be remembered in the history of our Company as being a year marked by both significant successes and disappointments. It was a year in which Zions Bancorporation experienced record financial results, with extraordinary revenue and earnings growth, and it was a period of continued expansion of our franchise and diversification of our business activities. But 1999 will no doubt be remembered most notably for the announcement of the proposed merger of First Security Corporation with Zions Bancorporation, a transaction which would have substantially increased the size and scope of our business. It was a transaction beset with a number of challenges and delays; a deal which ultimately did not receive the support of our shareholders and was terminated nearly ten months after its announcement.

FINANCIAL RESULTS

Operating cash earnings in 1999 reached \$243.8 million or \$2.84 per diluted share, an increase of 25.4% and 19.8%, respectively, over the restated \$194.4 million or \$2.37 per share earned in 1998. Net income for the year was \$194.1 million or \$2.26 per diluted share, including \$18.5 million or \$0.22 per diluted share in after-tax merger-related charges. For the year, cash return on tangible equity was 26.9%, and nominal return on equity was 12.4%. Financial results for 1999 and 1998 include the effects of applying the purchase accounting method to a number of business combinations completed in 1997 and 1998 which had originally been accounted for as poolings of interests, as further described below under "The First Security Merger."

Total loans and leases outstanding during 1999 averaged \$11.8 billion, an increase of 54.9% from the \$7.6 billion outstanding in 1998. Total deposits averaged \$14.1 billion, a 37.8% increase from the \$10.2 billion in deposits the prior year. Total assets at year end 1999 were \$20.3 billion, an increase of 12.4% over the 1998 year-end total, while total tangible shareholders' equity was \$993.6 million, an increase of 25.9% over the 1998 year-end figure. Dividends per share totaled \$0.72 in 1999, an increase of 33.3% over the \$0.54 paid in 1998, as the dividend was increased after the announcement of the First Security merger to conform the payout levels of both companies.

Credit quality remained strong in 1999. Non-performing assets, as a percentage of outstanding loans, leases and other real estate owned, totaled 0.58% at year-end - the same level as year-end 1998. Net loan and lease charge-offs totaled 0.25% of average loans in 1999 compared to 0.21% during the prior year.

BUILDING THE FRANCHISE

In May, 1999 we announced a merger with Pioneer Bancorporation, a highly successful bank holding company with approximately \$1 billion in assets and offices in the Las Vegas and Reno, Nevada markets. Its subsidiary, Pioneer Citizens Bank, was merged with Nevada State Bank in October. In April, we announced a merger with Regency Bancorp, located in Fresno, California. Regency Bank, with total assets of approximately \$230 million, became a part of our California Bank & Trust subsidiary in October as well. On January 7, 2000, we entered into a merger agreement with County Bank in Prescott, Arizona. With \$242 million in assets, it is expected that this transaction will be completed in the second quarter of 2000, with the operations of County Bank being integrated into our National Bank of Arizona subsidiary.

This past year was also the first full year of operation of California Bank & Trust, which we created in late 1998 by merging our affiliate, Grossmont Bank, with The Sumitomo Bank of California, creating the fifth largest bank in California. Additional management was brought into the organization, and new products were introduced to the bank's customers. With operating cash earnings of approximately \$69.0 million, the bank exceeded our expectations for the year.

During 1999, we continued to build the foundation for what we believe can become a very significant business for us, Digital Signature Trust Company, or "DST". This subsidiary of Zions First National Bank, whose minority equity partner is the American Bankers Association, made great strides during the year. Most notably, DST won the first of only three contracts awarded by the General Services Administration of the United States Government to provide Internet security and authentication services to government agencies under the Access Certificates for Electronic Services, or "ACES" program. ACES will make it possible for various government agencies to transact business and make sensitive information available to individuals, businesses and other organizations in a secure online environment using "Public Key Infrastructure" technology. Recently, DST became the first of the three authorized vendors to become certified as being operationally capable to issue "digital certificates" to government agencies and departments. DST also completed a successful pilot project for the Social Security Administration, demonstrating the feasibility of employer submission of wage and tax information. Currently, approximately six million employers file wage and tax withholding reports, with the majority of these entities submitting paper-based information. Substantial savings, for both the government and employers, could be realized by automating the submission of this information over the Internet. We expect to devote additional resources to this venture in the months ahead, and to tap external sources of capital, in order to fully realize the value in this enterprise.

Significant resources were devoted to the completion of the Company's "Year 2000" project during 1999, to ensure our readiness to operate without disruption as we entered a new century. While Zions, like most companies, experienced no operational failures as a result of the date change, the smooth transition into the new year was made possible by the hard work of a large number of dedicated employees who devoted many thousands of hours to this task. Many of these same employees were also involved in a variety of integration projects related not only to the prospective First Security merger, but also a number of systems conversions in conjunction with recent acquisitions in Colorado and other markets.

THE FIRST SECURITY MERGER

On June 6, 1999, the Company announced that it had entered into a merger agreement with First Security Corporation. The resulting enterprise would have had total assets of approximately \$40 billion, with banking operations throughout the West. The merger agreement included the provision that the new company would use the First Security name, which, because it had widespread identity in multiple markets throughout the West, would result in the least amount of disruption for the greatest number of customers. It was also agreed that while the CEO's of both companies would become Co-CEO's of the new organization through a transitional period, managerial responsibility for the new organization would ultimately reside with Zions.

It was anticipated that federal regulators would require approximately \$1.5 billion in deposits and related loans to be divested to satisfy antitrust concerns. Ultimately, approximately \$2.1 billion in deposits and related loans were required to be divested, contingent upon the closing of the merger. A

further, major disappointment was the fact that the Justice Department required that most of the offices to be divested come from the Zions branch network.

On December 16, Zions' independent auditor, KPMG LLP, notified the Company that it had developed concerns over the proper application of Staff Accounting Bulletin 96, issued by the U.S. Securities and Exchange Commission (the "SEC"), to a number of business combinations completed by Zions in recent years. These transactions, which had been accounted for using the pooling-of-interests method of accounting, had been accompanied in many cases by share buy-back programs in which Zions had acquired in the open market less than ten percent of the shares to be issued in a deal prior to the consummation of the transaction, the maximum permissible under pooling accounting rules.

Prior to accounting for these earlier transactions in accordance with the pooling accounting rules, Zions had consulted with KPMG on each occasion to confirm that the accounting treatment for each prospective pooling transaction was proper. Although no new or changed facts or circumstances relating to KPMG's prior advice had occurred, KPMG nevertheless informed Zions that it would no longer stand by its prior advice, and would withdraw its consent to permit Zions to use its prior opinions, unless the use of pooling accounting treatment was confirmed by the SEC.

On December 23, the SEC notified the Company that it would require shares repurchased in conjunction with the next merger to also be allocated to the last merger consummated within the prior six month period. Subsequently, the SEC notified the Company that the shares should additionally be allocated to all other mergers completed within the prior six months, resulting in the need to restate numerous prior business combinations as purchase transactions. In late January, 2000 the SEC provided a third and final interpretation of Staff Accounting Bulletin 96, requiring the application of a customized algorithm in allocating the repurchased shares to specific transactions. The final interpretation provided by the SEC had no prior foundation in the accounting literature, and has not been published or disseminated by the SEC. In applying this interpretation of Staff Accounting Bulletin 96, the Chief Accountant at the SEC indicated that Zions had not taken any actions which were inappropriate; on the contrary, he noted that Zions had taken proper steps to review the appropriate accounting methodology with its independent auditor in advance of the transactions in question, and had received written confirmation of the accounting treatment from its auditors.

Zions and First Security rescheduled their shareholders' meetings until March 22, 2000 in order to allow for the distribution of new proxy materials, which were disseminated on February 17, 2000. On March 3, First Security issued a press release indicating that the company's stand-alone first quarter, 2000 revenues and earnings were expected to fall short of market expectations. Zions' financial advisor, Goldman, Sachs & Co., notified Zions' board of directors that its "fairness opinion", which it had recently updated in conjunction with the proxy statement issued on February 17, 2000, could no longer be relied upon. Subsequently, Goldman Sachs delivered to Zions a letter to the effect that it could no longer conclude that the exchange ratio - the proportion of the new company's shares to be received by Zions and First Security shareholders, respectively - was fair to Zions shareholders from a financial point of view.

The First Security earnings forecast, the withdrawal of Goldman Sachs' fairness opinion and its determination that it could no longer conclude that the exchange rate was fair, and other relevant information was provided by Zions to Zions shareholders in a proxy statement supplement. The Zions shareholders' meeting was rescheduled for March 31 in order to provide adequate time for our shareholders to receive and evaluate the new information and to consider it in deciding how to vote.

At the March 31 meeting, Zions shareholders declined to adopt the merger agreement. The following day, First Security notified Zions that it was terminating the merger agreement.

On Monday, April 10, Wells Fargo & Company announced that it was acquiring First Security at a price which, based on the closing value of both Wells Fargo and Zions shares the preceding Friday, would have represented .347 Zions shares for each First Security share, or a reduction of 21.5% from the exchange ratio in the Zions merger agreement.

THE FUTURE

While the merger-related events of recent months have been difficult and costly, there have also been many lessons learned. It has sharpened our understanding of the strengths of our own organization, while also allowing us to focus on a number of steps we can take to improve our basic banking operations. It has made us more cognizant of the value creation possibilities in certain of our lines of business, and of the difficulty in creating value in other business lines. This experience will better prepare us for future opportunities.

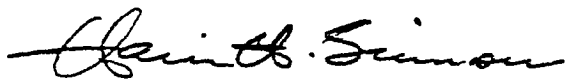
Most of all, the events of recent months have led to an appreciation, in ways perhaps taken too much for granted before, of the incredible strength, talent and commitment of our employees. Their patience, their endurance and their support have been remarkable. It has become a cliché to state that a company's employees are its most important assets. In our case, it is an absolute truth. They are creative, energized, wonderful people, and they are great bankers.

We will continue to build our banking business, focusing on expanding our operations and market share in some of the most vibrant markets in the nation. But we will also devote increasing attention to building on our banking legacy to develop new products that create value for our customers and shareholders, harnessing new technologies which will revolutionize the way our customers conduct business.

Zions Bancorporation has been a luminary in the banking industry for creating shareholder value. The Company was recently recognized by both The Wall Street Journal and Fortune magazine as having had the best total return to shareholders over the past decade of any bank included in the universe of large institutions surveyed by these publications. This speaks to the ability of Zions Bancorporation to continue to excel in the years ahead of us.

We appreciate your patience through the events of recent months, and pledge that we will redouble our efforts to ensure that our future is as bright as our past.

Respectfully,



Harris H. Simmons
President and Chief Executive Officer

April 13, 2000

Management's Comments

PERFORMANCE SUMMARY

Zions Bancorporation reported record earnings of \$194.1 million or \$2.26 per share in 1999. Net income increased 35.4% over the \$143.4 million earned in 1998, which was up 9.1% over the \$131.4 million earned in 1997. Diluted net income per share increased 29.1% to \$2.26 in 1999, compared to \$1.75 in 1998. Per share earnings decreased from \$1.92 to \$1.75, an 8.9% decrease, from 1997 to 1998. Dividends per share were \$.72 in 1999, an increase of 33.3% over \$.54 in 1998, which were up 14.9% from \$.47 in 1997. Financial results have been restated for prior periods to reflect the acquisition of Pioneer Bancorporation during 1999, which was accounted for as a pooling of interests and considered significant. During 1999 the Company also acquired Regency Bancorp in a transaction accounted for as a purchase. Results of operations for Regency are included from October 1, 1999. The acquisitions of Vectra Banking Corporation, FP Bancorp, Inc., and The Sumitomo Bank of California during 1998 were accounted for as purchases. The results of operations for Vectra Banking Corporation and FP Bancorp, Inc., were, for accounting convenience, included from effective dates of acquisition, January 1, 1998 and April 1, 1998, respectively, resulting in immaterial differences to results of operations. Results of operations for The Sumitomo Bank of California are included from October 1, 1998, the actual date of acquisition. Therefore, results of operations cannot be compared directly between periods.

Included in reported net income were after-tax merger expenses of \$18.5 million or \$.22 per share in 1999 and \$24.1 million or \$.29 per share in 1998. Excluding merger expenses, earnings for 1999 would have been \$212.6 million or \$2.48 per share, an increase of 26.9% and 21.6%, respectively, over \$167.5 or \$2.04 for 1998. Merger expenses relate to the company's acquisitions as described in Note 2 of Notes to Consolidated Financial Statements.

The return on average shareholders' equity was 12.42% and the return on average assets was 0.97% for 1999, compared with 10.98% and 1.00%, respectively, in 1998, and 19.40% and 1.35%, respectively, in 1997.

The Company is also providing its earnings performance on an operating cash basis since it believes that its cash operating performance is a better reflection of its financial position and shareholder value creation as well as its ability to support growth and return capital to shareholders, than reported net income. Operating cash earnings are earnings before the amortization of goodwill and core deposit intangible assets and merger expense.

Operating cash earnings were \$243.8 million or \$2.84 per share for 1999, an increase of 25.4% and 19.8%, respectively, over the \$194.4 million or \$2.37 per share for 1998, which was up 40.5% and 16.7% over the \$138.3 million or \$2.03 per share in 1997. The return on average shareholders' equity and the return on average assets on an operating cash basis were 26.87% and 1.27%, respectively, for 1999, compared to 26.56% and 1.41% for 1998 and 25.40% and 1.45% for 1997.

The strong performance of the Company was driven by a 54.9% growth in average loans and leases and a 37.1% growth in average total earning assets that led to a 29.8% increase in taxable-equivalent net interest income to \$757.7 million in 1999. Noninterest income increased 26.8% to \$266.5 million in 1998, with strong growth in service charges, trust income, underwriting and trading income. Noninterest expense, including merger expenses, increased 22.4% to \$681.6 million in 1999. Excluding merger expenses, noninterest expense increased 26.1% over 1998. The increase in revenue and noninterest expense is mainly attributable to the record growth of the Company

during 1999 and 1998. The Company's efficiency ratio, or noninterest expenses as a percentage of total taxable-equivalent net revenues, was 66.55% for 1999, compared to 70.10% for 1998 and 59.33% for 1997. The operating cash efficiency ratio was 60.33% for 1999, compared to 61.32% for 1998 and 57.99% for 1997.

The Company's provision for loan losses totaled \$18.0 million for 1999, compared to \$14.0 million for 1998. Net charge-offs were \$29.0 million, or .25% of average loans and leases in 1999, compared to \$15.8 million or .21% in 1998. Nonperforming assets increased to \$75 million or .58% of loans and other real estate owned on December 31, 1999 from \$65 million or .58% on December 31, 1998.

Business Segment Results

The Company manages its operations and prepares management reports with a primary focus on geographical area. Operating segments information is presented in Note 20 of Notes to Consolidated Financial Statements. The Company allocates centrally provided services to the business segments based upon estimated usage of those services. The operating segment identified as other includes the Parent, several smaller business units and inter-segment eliminations.

ZIONS FIRST NATIONAL BANK AND SUBSIDIARIES

Zions First National Bank and Subsidiaries include the Company's operations in Utah and Idaho. The Bank experienced strong internal loan growth in 1999, with loans increasing 16.4% over 1998. Net income increased 31.2% to \$114.2 million compared to \$87.1 million for 1998, which was down 1.5% from the \$88.5 million earned in 1997. The increase in net income for 1999 compared to 1998 results mainly from a \$27.2 million increase in noninterest income and a \$8.0 million decrease in other noninterest expense. The increase in noninterest income for 1999 is mainly attributable to gains experienced by the Bank's venture capital subsidiary, Wasatch Venture Corporation, and increased income from investments in bank-owned life insurance. The decrease in noninterest expense includes a \$4.6 million decrease in amortization of mortgage servicing rights resulting from the Bank's sale of mortgage servicing rights during the first quarter of 1999. The decrease in net income for 1998 was due to a \$23.0 million loan loss provision in 1998. No provision for loan losses was required in 1997. Operating cash earnings were \$115.7 million in 1999, an increase of 30.1% over \$89.0 million earned in 1998.

CALIFORNIA BANK & TRUST

Results of operations for California Bank & Trust for the years presented are not directly comparable because of acquisitions accounted for as purchases during 1999 and 1998. See Note 2 of Notes to Consolidated Financial Statements for further information about the acquisitions.

California Bank & Trust reported net income of \$49.4 million for 1999, compared to \$16.4 million for 1998 and \$3.3 million for 1997. The increases in earnings for 1999 and 1998 resulted mainly from the acquisitions consummated during those years and increased efficiencies attained during 1999. Net income for 1998 included income only for the last three months of 1998 from the acquisition of The Sumitomo Bank of California. The Bank incurred pre-tax merger charges of \$9.5 million during 1999 related mainly to the acquisition of Regency Bancorp and \$27.5 million during 1998 related to the Sumitomo and FP Bancorp, Inc. acquisitions. Operating cash earnings were \$69.0 million in 1999, an increase of 79.9% over \$38.4 million earned in 1998.

VECTRA BANK COLORADO

In January 1998 the Company acquired Vectra Banking Corporation in a transaction accounted for as a purchase. Vectra had total assets of \$703 million, loans of \$413 million and deposits of \$556 million. During 1998 the Company also acquired eight smaller banks in Colorado. The acquired banks, along with previously owned Colorado banking organizations, were merged during 1998 under the name of Vectra Bank Colorado, National Association. See Note 2 of Notes to Consolidated Financial Statements for further information about the acquisitions.

Net income for Vectra Bank Colorado decreased 44.0% to \$2.0 million from \$3.6 million in 1998, which was up 63.3% from the \$2.2 million earned in 1997. Pre-tax merger expenses of \$4.3 million were incurred during 1998 in connection with the acquisitions. The decreased earnings for 1999 were in part attributable to the expenses related to the conversion of acquired banks to Zions' systems. The increased earnings for 1998 resulted from the acquisition of Vectra and other banks in 1998 and strong loan growth. Operating cash earnings were \$15.4 million in 1999, a decrease of 13.3% from \$17.7 million earned in 1998.

NATIONAL BANK OF ARIZONA

Net income at National Bank of Arizona was up 18.1% to \$26.2 million in 1999, as compared to \$22.2 million in 1998 and \$17.8 million for 1997. The increases for both 1999 and 1998 were driven by strong loan growth. Noninterest income for 1999 increased to \$13.0 million from \$9.3 million for 1998, an increase of 39.8%. The increase in noninterest income for 1999 included a \$2.0 million increase in service charges and other fee income, \$1.0 million from a new trust operation started in Arizona during 1998, and \$.7 million from increased investments in bank-owned life insurance. Operating cash earnings were \$27.6 million in 1999, an increase of 16.8% over \$23.7 million earned in 1998.

NEVADA STATE BANK

Net income at Nevada State Bank decreased 31.4% to \$18.5 million, as compared to \$27.0 million in 1998 and \$22.2 million for 1997. The decrease for 1999 resulted mainly from the Bank's incurring \$12.6 million of pre-tax merger expense related to the acquisition of Pioneer Bancorporation. Net interest income increased 10.3% for 1999 compared to 1998 and 27.5% for 1998 compared to 1997. Operating cash earnings were \$29.0 million in 1999, an increase of 2.5% over the \$28.3 million earned in 1998.

THE COMMERCE BANK OF WASHINGTON

The Commerce Bank of Washington was acquired in September 1998 and accounted for as a pooling of interests. The bank operates one branch located in Seattle, Washington. Net income for 1999 was \$5.7 million, compared to net income of \$.1 million for 1998 and \$4.5 million for 1997. The increase in earnings for 1999 compared to 1998 is mainly due to \$7.7 million of pre-tax merger expense incurred by the Bank in 1998.

OTHER

Other includes the parent only and other nonbank subsidiaries. The increased net loss for 1999 compared to 1998 of \$9.1 million is mainly due to increased net interest (loss) incurred by the holding company of \$10.4 million related to increased borrowings for the purchase of First Security Corporation common stock and other matters.

Income Statement Analysis

NET INTEREST INCOME, MARGIN AND INTEREST RATE SPREADS

Net interest income on a taxable-equivalent basis is the difference between interest earned on assets and interest paid on liabilities, with adjustments made to present income on assets exempt from income taxes comparable to other taxable income. Changes in the mix and volume of earning assets and interest-bearing liabilities, their related yields and overall interest rates have a major impact on earnings. In 1999, taxable-equivalent net interest income provided 74.0% of the Company's net revenues, compared with 73.5% in 1998 and 71.9% in 1997.

The Company's taxable-equivalent net interest income increased by 29.8% to \$757.7 million in 1999, as compared to \$583.9 million in 1998 and \$379.1 million in 1997. The increased level of taxable-equivalent net interest income was driven by a 37.1% and 44.9% growth in average earning assets for 1999 and 1998, respectively. The Company manages its earnings sensitivity to interest rate movements, in part, by matching the repricing characteristics of its assets and liabilities and, to a lesser extent, through the use of off-balance sheet arrangements such as caps, floors and interest rate exchange contracts. Net interest income from the use of such off-balance sheet arrangements for 1999 was \$8.3 million, compared to \$6.9 million in 1998 and \$2.5 million in 1997.

The increase in net interest income was partially offset by the continued securitization and sale of loans. Securitized loan sales convert net interest income from loans to gains on loan sales and servicing revenue reported in noninterest income. Loan sales improve the Company's liquidity, limit its exposure to credit losses, and may reduce its capital requirements.

The net interest margin, the ratio of taxable-equivalent net interest income to average earning assets, was 4.31% in 1999, 4.56% in 1998 and 4.29% in 1997. The decrease in the margin for 1999 was primarily due to continued robust loan growth financed by short-term funding sources instead of traditional core deposit growth normally experienced by the Company.

Schedule 1 analyzes the average balances, the amount of interest earned or paid, and the applicable rates for the various categories of earning assets and interest-bearing funds that represent the components of net interest income.

Schedule 2 analyzes the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years shown. In the schedules, the principal amounts of nonaccrual and renegotiated loans have been included in the average loan balances used to determine the rate earned on loans. Interest income on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. Interest on restructured loans is generally accrued at reduced rates.

The incremental tax rate used for calculating the taxable-equivalent adjustment was 35% for all years presented.

Schedule 1

Distribution of Assets, Liabilities, and Shareholders' Equity Average Balance Sheets, Yields and Rates

	1999			1998		
	Average Balance	Amount of Interest ¹	Average Rate	Average Balance	Amount of Interest ¹	Average Rate
<i>(Amounts in millions)</i>						
ASSETS:						
Money market investments	\$ 1,185	\$ 67.2	5.67%	\$ 1,629	\$ 92.3	5.67%
Securities:						
Held to maturity	3,277	204.6	6.24%	2,271	154.8	6.82%
Available for sale	741	42.4	5.72%	849	48.6	5.72%
Trading account	<u>538</u>	<u>30.1</u>	5.59%	<u>430</u>	<u>24.0</u>	5.58%
Total securities	<u>4,556</u>	<u>277.1</u>	6.08%	<u>3,550</u>	<u>227.4</u>	6.41%
Loans:						
Loans held for sale	178	12.2	6.85%	202	14.3	7.08%
Net loans and leases ²	<u>11,641</u>	<u>1,019.0</u>	8.75%	<u>7,430</u>	<u>708.8</u>	9.54%
Total loans	<u>11,819</u>	<u>1,031.2</u>	8.72%	<u>7,632</u>	<u>723.1</u>	9.47%
Total interest-earning assets	\$17,560	\$1,375.5	7.83%	\$12,811	\$1,042.8	8.14%
Cash and due from banks	856			657		
Allowance for loan losses	(211)			(132)		
Goodwill and core deposit intangibles	655			573		
Other assets	<u>1,052</u>			<u>488</u>		
Total assets	<u>\$19,912</u>			<u>\$14,397</u>		
LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW deposits	\$ 1,812	\$ 44.1	2.43%	\$ 1,338	\$ 39.4	2.94%
Money market and super NOW deposits	5,521	203.6	3.69%	3,712	134.5	3.62%
Time deposits under \$100,000	2,085	98.5	4.72%	1,651	85.7	5.19%
Time deposits \$100,000 or more	1,257	61.1	4.86%	894	49.3	5.51%
Foreign deposits	<u>165</u>	<u>7.2</u>	4.36%	<u>182</u>	<u>8.2</u>	4.51%
Total interest-bearing deposits	<u>10,840</u>	<u>414.5</u>	3.82%	<u>7,777</u>	<u>317.1</u>	4.08%
Borrowed funds:						
Securities sold, not yet purchased	271	15.6	5.76%	202	10.0	4.95%
Federal funds purchased and security repurchase agreements	2,369	108.5	4.58%	1,908	90.5	4.74%
Commercial paper	194	10.8	5.57%	28	1.6	5.71%
FHLB advances and other borrowings:						
Less than one year	545	28.5	5.23%	63	4.0	6.35%
Over one year	76	4.8	6.32%	114	6.6	5.79%
Long-term debt	<u>453</u>	<u>35.1</u>	7.75%	<u>347</u>	<u>29.1</u>	8.39%
Total borrowed funds	<u>3,908</u>	<u>203.3</u>	5.20%	<u>2,662</u>	<u>141.8</u>	5.33%
Total interest-bearing liabilities	\$14,748	\$ 617.8	4.19%	\$10,439	\$ 458.9	4.40%
Noninterest-bearing deposits	3,249			2,448		
Other liabilities	<u>316</u>			<u>196</u>		
Total liabilities	18,313			13,083		
Minority interest	37			9		
Total shareholders' equity	<u>1,562</u>			<u>1,305</u>		
Total liabilities and shareholders' equity	<u>\$19,912</u>			<u>\$14,397</u>		
Spread on average interest-bearing funds			<u>3.64%</u>			<u>3.74%</u>
Net interest income and net yield on interest-earning assets		\$ <u>757.7</u>	<u>4.31%</u>		\$ <u>583.9</u>	<u>4.56%</u>

¹ Taxable-equivalent rates used where applicable.

² Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.

1997			1996			1995		
Average Balance	Amount of Interest ¹	Average Rate	Average Balance	Amount of Interest ¹	Average Rate	Average Balance	Amount of Interest ¹	Average Rate
\$ 1,558	\$ 88.3	5.67%	\$ 946	\$ 52.9	5.59%	\$ 964	\$ 57.2	5.93%
1,790	126.5	7.07%	1,314	93.9	7.15%	1,195	85.6	7.16%
671	46.0	6.86%	566	38.7	6.84%	450	32.3	7.18%
<u>276</u>	<u>16.2</u>	5.87%	<u>156</u>	<u>9.2</u>	5.90%	<u>147</u>	<u>9.2</u>	6.26%
<u>2,737</u>	<u>188.7</u>	6.89%	<u>2,036</u>	<u>141.8</u>	6.96%	<u>1,792</u>	<u>127.1</u>	7.09%
163	11.9	7.30%	151	11.5	7.62%	116	9.3	8.02%
<u>4,384</u>	<u>437.6</u>	9.98%	<u>3,409</u>	<u>340.5</u>	9.99%	<u>2,850</u>	<u>294.4</u>	10.33%
<u>4,547</u>	<u>449.5</u>	9.89%	<u>3,560</u>	<u>352.0</u>	9.89%	<u>2,966</u>	<u>303.7</u>	10.24%
\$ 8,842	\$ <u>726.5</u>	8.22%	\$ 6,542	\$ <u>546.7</u>	8.36%	\$ 5,722	\$ <u>488.0</u>	8.53%
471			368			361		
(81)			(75)			(73)		
132			31			21		
<u>341</u>			<u>257</u>			<u>235</u>		
\$ <u>9,705</u>			\$ <u>7,123</u>			\$ <u>6,266</u>		
\$ 860	\$ 24.6	2.86%	\$ 730	\$ 21.7	2.97%	\$ 825	\$ 24.6	2.98%
2,532	100.5	3.97%	2,017	78.9	3.91%	1,587	66.3	4.18%
866	44.9	5.18%	713	37.2	5.22%	671	34.9	5.20%
310	18.0	5.81%	223	12.8	5.74%	204	11.8	5.78%
<u>142</u>	<u>6.4</u>	4.51%	<u>121</u>	<u>5.4</u>	4.46%	<u>139</u>	<u>7.2</u>	5.18%
<u>4,710</u>	<u>194.4</u>	4.13%	<u>3,804</u>	<u>156.0</u>	4.10%	<u>3,426</u>	<u>144.8</u>	4.23%
92	5.3	5.76%	77	4.5	5.84%	90	5.6	6.22%
2,206	114.7	5.20%	1,358	67.9	5.00%	1,061	57.8	5.45%
-	-		-	-		-	-	
34	2.4	7.06%	18	1.3	7.22%	20	1.6	8.00%
136	8.2	6.03%	79	4.8	6.08%	94	6.1	6.49%
<u>253</u>	<u>22.4</u>	8.85%	<u>58</u>	<u>5.2</u>	8.97%	<u>58</u>	<u>5.1</u>	8.79%
<u>2,721</u>	<u>153.0</u>	5.62%	<u>1,590</u>	<u>83.7</u>	5.26%	<u>1,323</u>	<u>76.2</u>	5.76%
\$ 7,431	\$ <u>347.4</u>	4.68%	\$ 5,394	\$ <u>239.7</u>	4.44%	\$ 4,749	\$ <u>221.0</u>	4.65%
1,439			1,098			967		
<u>158</u>			<u>107</u>			<u>108</u>		
9,028			6,599			5,824		
-			-			-		
<u>677</u>			<u>524</u>			<u>442</u>		
\$ <u>9,705</u>			\$ <u>7,123</u>			\$ <u>6,266</u>		
		<u>3.54%</u>			<u>3.92%</u>			<u>3.88%</u>
	\$ <u>379.1</u>	<u>4.29%</u>		\$ <u>307.0</u>	<u>4.69%</u>		\$ <u>267.0</u>	<u>4.67%</u>

Schedule 2

Analysis of Interest Changes Due to Volume and Rate

(Amounts in Millions)	1999 over 1998			1998 over 1997		
	Changes due to		Total	Changes due to		Total
	Volume	Rate ¹	Changes	Volume	Rate ¹	Changes
Interest-earning assets:						
Money market investments	\$ (25.3)	\$ 0.2	\$ (25.1)	\$ 4.1	\$ (0.1)	\$ 4.0
Securities:						
Held to maturity	62.9	(13.1)	49.8	32.7	(4.4)	28.3
Available for sale	(6.1)	(0.1)	(6.2)	10.1	(7.5)	2.6
Trading account	<u>6.1</u>	<u>-</u>	<u>6.1</u>	<u>8.6</u>	<u>(0.8)</u>	<u>7.8</u>
Total securities	<u>62.9</u>	<u>(13.2)</u>	<u>49.7</u>	<u>51.4</u>	<u>(12.7)</u>	<u>38.7</u>
Loans:						
Loans held for sale	(1.6)	(0.5)	(2.1)	2.7	(0.3)	2.4
Net loans and leases ²	<u>368.9</u>	<u>(58.7)</u>	<u>310.2</u>	<u>290.6</u>	<u>(19.4)</u>	<u>271.2</u>
Total loans	<u>367.3</u>	<u>(59.2)</u>	<u>308.1</u>	<u>293.3</u>	<u>(19.7)</u>	<u>273.6</u>
Total interest-earning assets	<u>\$404.9</u>	<u>\$ (72.2)</u>	<u>\$332.7</u>	<u>\$348.8</u>	<u>\$ (32.5)</u>	<u>\$316.3</u>
Interest-bearing liabilities:						
Interest-bearing deposits:						
Savings and NOW deposits	\$ 11.5	\$ (6.8)	\$ 4.7	\$ 14.1	\$ 0.7	\$ 14.8
Money market and super NOW deposits	66.6	2.5	69.1	42.8	(8.8)	34.0
Time deposits under \$100,000	20.6	(7.8)	12.8	40.8	-	40.8
Time deposits \$100,000 or more	17.7	(5.9)	11.8	32.1	(0.8)	31.3
Foreign deposits	<u>(0.7)</u>	<u>(0.3)</u>	<u>(1.0)</u>	<u>1.7</u>	<u>0.1</u>	<u>1.8</u>
Total interest-bearing deposits	<u>115.7</u>	<u>(18.3)</u>	<u>97.4</u>	<u>131.5</u>	<u>(8.8)</u>	<u>122.7</u>
Borrowed funds:						
Securities sold, not yet purchased	3.8	1.8	5.6	5.5	(0.8)	4.7
Federal funds purchased and security repurchase agreements	21.1	(3.1)	18.0	(14.1)	(10.1)	(24.2)
Commercial paper	9.3	(0.1)	9.2	1.6	-	1.6
FHLB advances and other borrowings:						
Less than one year	25.2	(0.7)	24.5	1.8	(0.2)	1.6
Over one year	(2.2)	0.4	(1.8)	(1.3)	(0.3)	(1.6)
Long-term debt	<u>8.1</u>	<u>(2.1)</u>	<u>6.0</u>	<u>7.9</u>	<u>(1.2)</u>	<u>6.7</u>
Total borrowed funds	<u>65.3</u>	<u>(3.8)</u>	<u>61.5</u>	<u>1.4</u>	<u>(12.6)</u>	<u>(11.2)</u>
Total interest-bearing liabilities	<u>\$181.0</u>	<u>\$ (22.1)</u>	<u>\$158.9</u>	<u>\$132.9</u>	<u>\$ (21.4)</u>	<u>\$111.5</u>
Change in net interest income	<u>\$223.9</u>	<u>\$ (50.1)</u>	<u>\$173.8</u>	<u>\$215.9</u>	<u>\$ (11.1)</u>	<u>\$204.8</u>

¹ Taxable-equivalent income used where applicable

² Net of unearned income and fees. Loans include nonaccrual and restructured loans.

In the analysis of interest changes due to volume and rate, the changes due to the volume/rate variance have been allocated to volume with the following exceptions: when volume and rate have both increased, the variance has been allocated proportionately to both volume and rate; when the rate has increased and volume has decreased, the variance has been allocated to rate.

PROVISION FOR LOAN LOSSES

The provision for loan losses reflects management's judgment of the expense to be recognized in order to maintain an adequate allowance for loan losses. See the discussion on allowance for loan

losses under Risk Elements. The provision for loan losses was \$18.0 million in 1999 compared to \$14.0 million in 1998 and \$5.9 million in 1997. The provision was .15% of average loans for 1999, .18% in 1998 and .13% for 1997.

NONINTEREST INCOME

Noninterest income comprised 26.0% of net revenue in 1999, compared to 26.5% in 1998 and 28.1% in 1997. Noninterest income was \$266.5 million in 1999, an increase of 26.8% over \$210.2 million in 1998, which was up 41.7% over \$148.3 million in 1997. Noninterest income for 1998 included \$5.3 million from Sumitomo since the acquisition date. Without Sumitomo, noninterest income increased 38.2% from 1997. Schedule 3 shows the major components of noninterest income.

Schedule 3

Noninterest Income

(Amounts in millions)	<u>1999</u>	<u>Percent Change</u>	<u>1998</u>	<u>Percent Change</u>	<u>1997</u>	<u>Percent Change</u>	<u>1996</u>	<u>Percent Change</u>	<u>1995</u>
Service charges on deposit									
Accounts	\$ 76.8	25.7%	\$ 61.1	36.7%	\$ 44.7	25.6%	\$ 35.6	16.7%	\$ 30.5
Other service charges,									
Commissions and fees	66.1	16.0	57.0	39.4	40.9	32.8	30.8	14.5	26.9
Trust income	15.8	43.6	11.0	35.8	8.1	37.3	5.9	20.4	4.9
Investment securities gains									
(losses), net	(3.0)	(173.2)	4.1	355.6	0.9	800.0	0.1	-	0.1
Underwriting and trading									
Income (loss)	11.5	25.0	9.2	61.4	5.7	111.1	2.7	325.0	(1.2)
Loan sales and servicing									
Income	40.5	(19.6)	50.4	30.2	38.7	10.3	35.1	44.4	24.3
Other income	58.8	237.9	17.4	87.1	9.3	27.4	7.3	(14.1)	8.5
Total	<u>\$266.5</u>	26.8%	<u>\$210.2</u>	41.7%	<u>\$148.3</u>	26.2%	<u>\$117.5</u>	25.0%	<u>\$ 94.0</u>

The 25.7% and 36.7% increases in deposit service charges for 1999 and 1998 reflect the continued increase of the Company's average deposit base through acquisitions and internal growth, as well as price adjustments. Other service charges, commissions and fees, which include investment brokerage and fiscal agent fees, electronic delivery system fees, insurance commissions, merchant fee income and other miscellaneous fees, were \$66.1 million in 1999, an increase of 16.0% over 1998 which was 39.4% above 1997. Loan sales and servicing income decreased 19.6% in 1999 to \$40.5 million from \$50.4 million in 1998 which was 30.2% above 1997. The decrease in loan sales and servicing income for 1999 was mainly the result of a Company decision to decrease its mortgage origination and servicing activities, resulting in decreased loan servicing income and gains on sales as well as decreased expense. Underwriting and trading income increased 25.0% to \$11.5 million in 1999 from \$9.2 million in 1998, and \$5.7 million in 1997. During 1998, the Company commenced the providing of online executable government bond sales over Bloomberg and the Internet and the underwriting of municipal revenue bonds, which resulted in increased revenues for 1999 and 1998.

Trust income increased to \$15.8 million in 1999, up 43.6% from 1998, which was up 35.8% from 1997. Other income, which includes certain fees, income from investments in bank-owned life insurance, income from Wasatch Venture Corporation's venture funding operations, income from unconsolidated subsidiaries and associated companies, net gains on sales of fixed assets and other assets, and other items, was \$58.8 million in 1999, an increase of 237.9% from 1998. The increase

for 1999 was mainly due to increased income from operations of Wasatch Venture Corporation and income from bank-owned life insurance policies.

Included in other noninterest income for 1999 is \$42.6 million of net gains from securities held by the Company's venture capital subsidiary, Wasatch Venture Corporation. Consolidated net income for 1999 includes approximately \$22.9 from Wasatch Venture Corporation's operations for the year. During 1999 the Company also recognized impairment and other losses related to SBA interest-only strips of \$8.3 million, which decreased other noninterest income.

NONINTEREST EXPENSE

The Company's noninterest expense was \$681.6 million in 1999, an increase of 22.4% over \$556.7 million in 1998, which was up 77.9% over the \$312.9 million in 1997. Included in 1999 and 1998 expense was \$27.7 million and \$38.1 million, respectively, in merger expenses related to the Company's acquisitions. Schedule 4 shows the major components of noninterest expense.

Schedule 4 Noninterest Expense

<i>(Amounts in millions)</i>	<u>1999</u>	<u>Percent Change</u>	<u>1998</u>	<u>Percent Change</u>	<u>1997</u>	<u>Percent Change</u>	<u>1996</u>	<u>Percent Change</u>	<u>1995</u>
Salaries and benefits	\$346.7	32.6%	\$261.5	58.6%	\$164.9	25.9%	\$131.0	13.7%	\$115.2
Occupancy, net	49.4	47.9	33.4	85.6	18.0	33.3	13.5	9.8	12.3
Furniture and equipment	45.4	18.5	38.3	56.3	24.5	41.6	17.3	20.1	14.4
Other real estate expense	(0.1)	(114.3)	0.7	133.3	0.3	250.0	(0.2)	(300.0)	0.1
Legal and professional Services	16.2	(0.6)	16.3	101.2	8.1	50.0	5.4	10.2	4.9
Supplies	11.2	(5.9)	11.9	41.7	8.4	23.5	6.8	19.3	5.7
Postage	11.7	6.4	11.0	50.7	7.3	23.7	5.9	5.4	5.6
Advertising	18.5	46.8	12.6	70.3	7.4	27.6	5.8	1.8	5.7
FDIC premiums	2.2	46.7	1.5	114.3	0.7	-	-	-	4.7
Merger expense	27.7	(27.3)	38.1	4,662.5	0.8	-	-	-	-
Amortization of goodwill & Core deposit intangibles	36.0	13.6	31.7	346.5	7.1	208.7	2.3	(8.0)	2.5
Amortization of mortgage Servicing assets	0.9	(83.6)	5.5	161.9	2.1	61.5	1.3	8.3	1.2
Other expenses	<u>115.8</u>	<u>22.9</u>	<u>94.2</u>	<u>48.8</u>	<u>63.3</u>	<u>24.9</u>	<u>50.7</u>	<u>23.7</u>	<u>41.0</u>
Total	<u>\$681.6</u>	<u>22.4%</u>	<u>\$556.7</u>	<u>77.9%</u>	<u>\$312.9</u>	<u>30.5%</u>	<u>\$239.8</u>	<u>12.4%</u>	<u>\$213.3</u>

In 1999 and 1998, salaries and employee benefits increased primarily as a result of increased staffing from acquisitions and the opening of new offices, as well as general salary increases and bonuses that are based on increased profitability. The occupancy, furniture and equipment expense increase resulted primarily from the addition of office facilities, installation of personal computers and local area networks and expenses related to technology initiatives. The increase in all other expenses resulted primarily from increases related to acquisitions and expansion and increased expenditures in selected areas to enhance revenue growth. Also expenses for 1998 only include operations of The Sumitomo Bank of California for the last quarter of the year since the bank was acquired in a purchase transaction on October 1, 1998.

On December 31, 1999, the Company had 6,833 full-time equivalent employees and 362 offices compared to 7,099 employees and 345 offices at year-end 1998. On December 31, 1997, the Company had 4,652 full-time equivalent employees and 241 offices. The reduction in FTE

in 1999 was mainly the result of a hiring freeze put in place related to the merger with First Security Corporation and reduced FTE related to a reduction in mortgage servicing and origination activities. The increase in 1998 was primarily due to the acquisition of The Sumitomo Bank of California.

The Company's operating cash "efficiency ratio," or noninterest expenses, excluding amortization of goodwill and core deposit intangibles and merger expenses, as a percentage of total taxable-equivalent net revenues, decreased to 60.3% in 1999, compared to 61.3% in 1998 and 58.0% in 1997.

INCOME TAXES

The Company's income tax expense for 1999 was \$109.5 million, compared to \$69.6 million in 1998 and \$67.7 million in 1997. The Company's effective income tax rate was 35.5% in 1999, 32.6% in 1998 and 34.0% in 1997. The lower effective tax rate for 1998 resulted primarily from decisions regarding a corporate reorganization in 1998. The increased rate for 1999 is mainly due to a higher percentage of the Company's income being generated in states with higher tax rates and increased nondeductible goodwill amortization.

Balance Sheet Analysis

EARNING ASSETS

Earning assets consist of money market investments, securities and loans. A comparative average balance sheet report, including earning assets, is presented in Schedule 1.

Average earning assets increased 37.1% to \$17,560 million in 1999, compared to \$12,811 million in 1998. Earning assets comprised 88.2% of total average assets in 1999, compared with 89.0% in 1998.

Average money market investments, consisting of interest-bearing deposits, federal funds sold and security resell agreements decreased 27.3% to \$1,185 million in 1999, compared to \$1,629 million in 1998.

Average securities increased 28.4% to \$4,556 million in 1999, compared to \$3,549 million in 1998. Average held to maturity securities increased 44.3% to \$3,277 million, available for sale securities decreased 12.8% to \$741 million, and trading account securities increased 25.2% to \$538 million.

Average net loans and leases increased 54.9% to \$11,819 million in 1999, compared to \$7,632 million in 1998, representing 67.3% of earning assets in 1999, compared to 59.6% in 1998. Average net loans and leases were 83.9% of average total deposits in 1998, as compared to 74.6% in 1998.

INVESTMENT SECURITIES PORTFOLIO

Schedule 5 presents the Company's year-end investment securities on December 31, 1999, 1998, and 1997. Schedule 6 presents the Company's maturities and average yields on securities on December 31, 1999. See Note 3 of Notes to Consolidated Financial Statements for additional information about securities.

Schedule 5

Investment Securities Portfolio

	December 31,					
	1999		1998		1997	
	Amortized Cost	Market Value	Amortized Cost	Market Value	Amortized Cost	Market Value
<i>(Amounts in millions)</i>						
HELD TO MATURITY:						
U.S. Treasury securities	\$ 1	\$ 1	\$ 63	\$ 63	\$ 8	\$ 8
U.S. government agencies and corporations:						
Small Business Administration						
loan-backed securities	440	445	358	356	441	449
Other agency securities	1,270	1,233	940	944	1,422	1,427
States and political subdivisions	314	309	331	340	258	264
Mortgage-backed securities	<u>1,305</u>	<u>1,303</u>	<u>1,159</u>	<u>1,166</u>	<u>82</u>	<u>84</u>
	<u>3,330</u>	<u>3,291</u>	<u>2,851</u>	<u>2,869</u>	<u>2,211</u>	<u>2,232</u>
AVAILABLE FOR SALE:						
U.S. Treasury securities	93	93	98	100	154	156
U.S. government agencies and corporations:						
Small Business Administration						
originator fees certificates	-	-	85	68	75	72
Other agency securities	51	50	277	278	214	215
States and political subdivisions	102	97	67	68	48	50
Mortgage- and other asset-backed securities	<u>147</u>	<u>143</u>	<u>179</u>	<u>180</u>	<u>28</u>	<u>28</u>
	<u>393</u>	<u>383</u>	<u>706</u>	<u>694</u>	<u>519</u>	<u>521</u>
Equity securities:						
Mutual funds:						
Accessor Funds, Inc.	141	139	117	118	110	111
Stock:						
Federal Home Loan Bank	-	-	100	101	91	91
Other	<u>242</u>	<u>257</u>	<u>37</u>	<u>41</u>	<u>29</u>	<u>33</u>
	<u>383</u>	<u>396</u>	<u>254</u>	<u>260</u>	<u>230</u>	<u>235</u>
	<u>776</u>	<u>779</u>	<u>960</u>	<u>954</u>	<u>749</u>	<u>756</u>
Total	<u>\$4,106</u>	<u>\$4,070</u>	<u>\$3,811</u>	<u>\$3,823</u>	<u>\$2,960</u>	<u>\$2,988</u>

Schedule 6

Maturities and Average Yields on Securities on December 31, 1999

(Amounts in Millions)	Total Securities		Within One Year		After One but Within Five Years		After Five but Within Ten Years		After Ten Years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*
HELD TO MATURITY:										
U.S. Treasury securities	\$ 1	6.3%	\$ -		\$ 1	6.2%	\$ -		\$ -	
U. S. government agencies and corporations:										
Small Business Administration loan- backed securities	440	6.7%	54	6.0%	155	6.2%	78	7.0%	153	7.3%
Other agency securities	1,270	6.3%	100	6.3%	1,107	6.2%	32	6.8%	31	6.6%
States and political Subdivisions	314	8.4%	56	8.7%	125	8.3%	73	8.5%	60	8.3%
Mortgage-backed securities	1,305	6.3%	348	6.9%	602	6.0%	239	6.3%	116	6.2%
	<u>3,330</u>	6.5%	<u>558</u>	6.9%	<u>1,990</u>	6.3%	<u>422</u>	6.9%	<u>360</u>	7.1%
AVAILABLE FOR SALE:										
U.S. Treasury securities	93	5.4%	66	5.3%	26	5.5%	-		1	8.4%
U. S. government agencies and corporations	51	6.3%	7	6.1%	44	6.3%	-		-	
States and political Subdivisions	102	7.9%	9	7.9%	27	7.8%	27	7.6%	39	8.3%
Mortgage- and other asset- backed securities	147	6.0%	35	5.5%	49	6.2%	48	6.1%	15	6.7%
	<u>393</u>	6.4%	<u>117</u>	5.6%	<u>146</u>	6.4%	<u>75</u>	6.6%	<u>55</u>	7.9%
Equity securities:										
Mutual funds:										
Accessor Funds, Inc.	141	4.1%	-		-		-		141	4.1%
Stock:										
Other	242	2.3%	-		-		-		242	2.3%
	<u>383</u>	3.0%	<u>-</u>		<u>-</u>		<u>-</u>		<u>383</u>	3.0%
	<u>776</u>	4.7%	<u>117</u>	5.6%	<u>146</u>	6.4%	<u>75</u>	6.6%	<u>438</u>	3.6%
Total	<u>\$4,106</u>	6.2%	<u>\$675</u>	6.6%	<u>\$2,136</u>	6.3%	<u>\$497</u>	6.8%	<u>\$798</u>	5.1%

* Taxable-equivalent rates used where applicable.

LOAN PORTFOLIO

During 1999, the Company consummated securitized loan sales of automobile loans, credit card receivables, home equity credit lines, Small Business Administration and Federal Agricultural Mortgage Corporation ("Farmer Mac") loans totaling \$982 million. The Company also sold \$879 million of long-term residential mortgage loans, SBA loans, Farmer Mac loans and student loans classified as held for sale. After these sales, loans and leases on December 31, 1999 totaled \$12,853 million, an increase of 14.0% compared to \$11,270 million on December 31, 1998.

Schedule 7 sets forth the amount of loans outstanding by type on December 31 for the years indicated and the maturity distribution and sensitivity to changes in interest rates of the portfolio on December 31, 1999.

Schedule 7

Loan Portfolio by Type

(Amounts in millions)	December 31, 1999				December 31,			
	One Year or Less	One Year Through Five Years	Over Five Years	Total	1998	1997	1996	1995
Loans held for sale	\$ 149	\$ -	\$ 56	\$ 205	\$ 232	\$ 179	\$ 150	\$ 126
Commercial, financial and Agricultural	1,786	804	446	3,036	2,844	1,406	949	837
Real estate:								
Construction	1,252	450	20	1,722	960	576	387	324
Other:								
Home equity credit line	79	53	100	232	232	165	188	105
1-4 family residential	224	197	2,082	2,503	2,207	742	560	442
Other real estate-secured	<u>734</u>	<u>1,041</u>	<u>2,393</u>	<u>4,168</u>	<u>3,894</u>	<u>1,678</u>	<u>1,213</u>	<u>878</u>
	<u>2,289</u>	<u>1,741</u>	<u>4,595</u>	<u>8,625</u>	<u>7,293</u>	<u>3,161</u>	<u>2,348</u>	<u>1,749</u>
Consumer:								
Bankcard	32	75	-	107	99	73	47	6
Other	<u>125</u>	<u>259</u>	<u>106</u>	<u>490</u>	<u>472</u>	<u>417</u>	<u>286</u>	<u>307</u>
	<u>157</u>	<u>334</u>	<u>106</u>	<u>597</u>	<u>571</u>	<u>490</u>	<u>333</u>	<u>369</u>
Lease financing	28	176	71	275	214	176	160	133
Foreign loans	25	9	19	53	44	-	-	-
Other receivables	<u>53</u>	<u>2</u>	<u>7</u>	<u>62</u>	<u>72</u>	<u>95</u>	<u>41</u>	<u>31</u>
Total loans	<u>\$4,487</u>	<u>\$3,066</u>	<u>\$5,300</u>	<u>\$12,853</u>	<u>\$11,270</u>	<u>\$5,507</u>	<u>\$3,981</u>	<u>\$3,245</u>
Loans maturing in more than one year:								
With fixed interest rates		\$1,416	\$3,089	\$ 4,505				
With variable interest rates		<u>1,650</u>	<u>2,211</u>	<u>3,861</u>				
Total		<u>\$3,066</u>	<u>\$5,300</u>	<u>\$ 8,366</u>				

SOLD LOANS BEING SERVICED

On December 31, 1999, long-term first mortgage real estate loans serviced for others amounted to \$237 million, compared to \$1,995 million on December 31, 1998, and \$1,897 million on December 31, 1997. During 1999 the Company merged Zions Mortgage Company, its wholly-owned mortgage company, into Zions First National Bank, sold most of its mortgage servicing and outsourced servicing retained on long-term first mortgage real estate loans.

Consumer and other loan securitizations serviced, which relate primarily to loans sold under revolving securitization structures, totaled \$1,252 million on December 31, 1999, \$1,040 million on December 31, 1998, and \$1,050 million on December 31, 1997.

The Company's activity in its sold loans being serviced portfolio (excluding long-term first mortgage real estate loans) is summarized as follows:

Schedule 8

Sold Loans Being Serviced

	1999		1998		1997	
	Sales	Outstanding at Year End	Sales	Outstanding at Year End	Sales	Outstanding at Year End
<i>(Amounts in millions)</i>						
Auto loans	\$ 195	\$ 326	\$ 198	\$ 345	\$ 201	\$ 389
Home equity credit lines	255	274	261	261	342	327
Bankcard receivables	194	67	282	134	232	79
Home refinance loans	-	10	-	23	-	45
SBA 504 loans	212	275	-	100	115	131
SBA 7(a) loans	15	67	33	73	38	56
Farmer Mac	111	233	110	104	23	23
Total	<u>\$ 982</u>	<u>\$ 1,252</u>	<u>\$ 884</u>	<u>\$ 1,040</u>	<u>\$ 951</u>	<u>\$ 1,050</u>

DEPOSITS AND BORROWED FUNDS

As derived from Schedule 1, total average deposits increased 37.8% to \$14,088 million in 1999 from \$10,225 million in 1998. Average noninterest-bearing deposits increased 32.7%, average savings and NOW deposits increased 35.4%, average money market and super NOW deposits increased 48.7%, and average time deposits under \$100,000 increased 26.3%. Average time deposits over \$100,000 increased 40.5% over 1998 average balances, and average foreign deposits decreased 9.4% for 1999, as compared with 1998.

Total deposits decreased 1.1% to \$14,062 million on December 31, 1999 as compared to \$14,221 million on December 31, 1998. Comparing December 31, 1999 to December 31, 1998, demand deposits decreased 3.5%, savings and money market deposits increased 17.1%, time deposits under \$100,000 decreased 24.7%, while time deposits over \$100,000 decreased 34.1% and foreign deposits increased 2.7%.

See Notes 9, 10 and 11 of Notes to Consolidated Financial Statements and the discussion under Liquidity Risk Management for information on borrowed funds.

CAPITAL

A fundamental financial objective of the company is to consistently produce superior risk-adjusted returns on its shareholders' capital. The Company believes that a strong capital position is vital to continued profitability and to promote depositor and investor confidence. The Company's goal is to steadily achieve a high return on shareholders' equity, while at the same time maintaining "risk-based capital" of not less than the "well-capitalized" threshold, as defined by federal banking regulators.

Total shareholders' equity on December 31, 1999 was \$1,660 million, an increase of 14.3% over the \$1,453 million on December 31, 1998. The ratio of average equity to average assets for the year 1999 was 7.85%, compared to 9.06% for 1998.

During 1999, 1998 and 1997, the Company repurchased and retired 115,769, 591,009 and 3,649,018 shares of its common stock at a cost of \$6.7 million, \$25.7 million and \$121.4 million, respectively.

On December 31, 1999 the Company's Tier 1 leverage ratio was 6.16%, as compared to 5.91% on December 31, 1998. On December 31, 1999 the Company's Tier 1 risk-based capital ratio was 8.64%, as compared to 8.40% on December 31, 1998. On December 31, 1999 the Company's total risk-based capital ratio was 11.29%, as compared to 11.34% on December 31, 1998. Regulatory minimum capital adequacy ratios for Tier 1 leverage, Tier 1 risk-based capital and total risk-based capital are 3%, 4% and 8%, respectively. Ratios to be considered well capitalized are 5%, 6% and 10%, respectively. See Note 17 of Notes to Consolidated Financial Statements for additional information on risk-based capital.

DIVIDENDS

Dividends per share were \$.72 in 1999, an increase of 33.3% over \$.54 in 1998, which were up 14.9% over \$.47 in 1997. The Company's quarterly dividend rate was \$.11 for the first quarter of 1997, increasing to \$.12 per share for the second, third and fourth quarters of 1997 and the first quarter of 1998, increasing to \$.14 per share for the second, third and fourth quarters of 1998 and the first quarter of 1999. The dividend rate for the second and third quarters of 1999 was \$.29 and no dividend was declared during the fourth quarter of 1999.

FOREIGN OPERATIONS

Zions First National Bank opened a foreign office located in Grand Cayman, Grand Cayman Islands, B.W.I. in 1980. The office accepts Eurodollar deposits from qualified customers of the Bank and places deposits with foreign banks and foreign branches of other U.S. banks. Foreign deposits at December 31 totaled \$210 million in 1999, \$204 million in 1998 and \$183 million in 1997; and averaged \$165 million for 1999, \$182 million for 1998 and \$142 million for 1997. See Schedule 7 Loan Portfolio by Type for foreign loans outstanding.

Risk Elements

CREDIT RISK MANAGEMENT

Management of credit risk is essential in maintaining a safe and sound institution. The Company has structured its organization to separate the lending function from the credit administration function, to strengthen the control and independent evaluation of credit activities. Loan policies and procedures provide the Company with a framework for consistent underwriting and a basis for sound credit decisions. In addition, the Company has well-defined standards for grading its loan portfolio, and management utilizes a comprehensive loan grading system to determine risk potential in the portfolio. A separate internal credit examination department periodically conducts examinations of the quality, documentation and administration of the Company's lending departments, and submits reports thereon to a committee of the board of directors. Emphasis is placed on early detection of potential problem credits so that action plans can be developed on a timely basis to mitigate losses.

Another aspect of the Company's credit risk management strategy is the diversification of the loan portfolio. At year end, the Company had 2% of its portfolio in loans held for sale, 24% in commercial loans, 67% in real estate loans, 5% in consumer loans, and 2% in lease financing. The Company's real estate portfolio is also diversified. Of the total portfolio, 20% is in real estate construction loans, 3% is in home equity credit lines, 29% is in 1-4 family residential loans and 48% is in commercial loans secured by real estate. The Company's commercial real estate concentration is in part mitigated by its emphasis of lending programs sponsored by the Small Business Administration, which carries the preponderance of credit risk on these types of loans. The Company also focuses on the provision of commercial real estate credit to borrowers that occupy the facility. In addition, the Company attempts to avoid the risk of an undue concentration of credits in a particular industry or trade group. See Note 5 of Notes to Consolidated Financial Statements for further information on concentrations of credit risk. The Company has no significant exposure to highly leveraged transactions. Most of the Company's business activity is with customers located within the states of Utah, Idaho, California, Colorado, Arizona, Nevada and Washington. Also, the Company does not have significant exposure to any individual customer or counterparty.

NONPERFORMING ASSETS

Nonperforming assets include nonaccrual loans, restructured loans and other real estate owned. Loans are generally placed on nonaccrual status when the loan is 90 days or more past due as to principal or interest, unless the loan is in the process of collection and well-secured. Consumer loans are not placed on a nonaccrual status, inasmuch as they are generally charged off when they become 120 days past due. Loans are restructured to provide a reduction or deferral of interest or principal payments when the financial condition of the borrower deteriorates and requires that the borrower be given temporary or permanent relief from the original contractual terms of the credit. Other real estate owned is primarily acquired through or in lieu of foreclosure on credits secured by real estate.

The Company's nonperforming assets were \$75 million on December 31, 1999, up from \$65 million on December 31, 1998. Such nonperforming assets as a percentage of net loans and leases, other real estate owned and other nonperforming assets were .58% on December 31, 1999, the same as on December 31, 1998.

Accruing loans past due 90 days or more totaled \$21 million on December 31, 1999, down from \$26 million on December 31, 1998. These loans equaled .16% of net loans and leases on December 31, 1999, as compared to .23% on December 31, 1998.

No loans were considered potential problem loans on December 31, 1999 or 1998. Potential problem loans are defined as loans presently on accrual and not contractually past due 90 days or more and not restructured, but about which management has serious doubt as to the future ability of the borrower to comply with present repayment terms and which may result in the reporting of the loans as nonperforming assets in the future.

The Company's total recorded investment in impaired loans included in nonaccrual loans and leases amounted to \$57.1 million and \$41.8 million on December 31, 1999 and 1998, respectively. The Company considers a loan to be impaired when the accrual of interest has been discontinued and meets other criteria under the statements. The amount of the impairment is measured based on the present value of expected cash flows, the observable market price of the loan, or the fair value of the collateral. Impairment losses are included in the allowance for loan losses through a provision for loan losses. Included in the allowance for loan losses on December 31, 1999 and 1998, is an allowance of \$16 million and \$5 million, respectively, on \$22.5 million and \$11.6 million, respectively, of the recorded investment in impaired loans. See Note 4 of Notes to Consolidated Financial Statements for additional information on impaired loans.

Schedule 9

Nonperforming Assets

(Amounts in millions)	December 31,				
	1999	1998	1997	1996	1995
Nonaccrual loans:					
Commercial, financial and agricultural	\$29	\$12	\$ 4	\$ 5	\$ 2
Real estate	34	39	7	6	5
Consumer	1	1	1	1	1
Lease financing	1	3	1	1	1
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>65</u>	<u>55</u>	<u>13</u>	<u>13</u>	<u>9</u>
Restructured loans:					
Real estate	<u>1</u>	<u>5</u>	<u>1</u>	<u>1</u>	<u>-</u>
Other real estate owned:					
Commercial, financial and agricultural:					
Improved	5	-	2	-	-
Unimproved	3	-	-	-	-
Residential:					
1-4 Family	1	2	1	-	1
Multi-family	-	-	-	-	-
Other	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>9</u>	<u>5</u>	<u>3</u>	<u>-</u>	<u>1</u>
Other nonperforming assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total	<u>\$75</u>	<u>\$65</u>	<u>\$17</u>	<u>\$14</u>	<u>\$11</u>
% of Net loans* and leases, other real estate owned and other nonperforming assets	.58%	.58%	.31%	.36%	.35%
Accruing loans past due 90 days or more:					
Commercial, financial and agricultural	\$ 4	\$ 5	\$ 2	\$ 1	\$ 1
Real estate	15	20	7	2	3
Consumer	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u>\$21</u>	<u>\$26</u>	<u>\$10</u>	<u>\$ 4</u>	<u>\$ 5</u>
% of Net loans* and leases	.16%	.23%	.18%	.09%	.17%

*Includes loans held for sale.

ALLOWANCE FOR LOAN LOSSES

The Company's allowance for loan losses was 1.60% of net loans and leases on December 31, 1999, compared to 1.89% on December 31, 1998. Net charge-offs in 1999 were \$30 million, or .25% of average loans and leases, compared to net charge-offs of \$16 million, or .21% of average net loans and leases in 1998, and net charge-offs of \$8 million, or .19% of average net loans and leases in 1997.

The allowance, as a percentage of nonaccrual loans and restructured loans, was 310.87% on December 31, 1999, compared to 354.94% on December 31, 1998 and 655.59% on December 31, 1997. The allowance, as a percentage of nonaccrual loans and accruing loans past due 90 days or more, was 238.07% on December 31, 1999, compared to 264.20% on December 31, 1998, and 389.19% on December 31, 1997.

On December 31, 1999, 1998 and 1997, the allowance for loan losses includes an allocation of \$23 million, \$20 million and \$9 million, respectively, related to commitments to extend credit on loans and standby letters of credit. Commitments to extend credit on loans and standby letters of credit on December 31, 1999, 1998 and 1997, totaled \$6,001 million, \$5,090 million, and \$2,706 million, respectively. The Company's actual future credit exposure is much lower than the contractual amounts of the commitments because a significant portion of the commitments is expected to expire without being drawn upon.

In analyzing the adequacy of the allowance for loan and lease losses, management utilizes a comprehensive loan grading system to determine risk potential in the portfolio, and considers the results of independent internal and external credit review. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type. Historical loss experience factors by segment, adjusted for changes in trends and conditions, are used in determining the required allowance for each segment. Historical loss factors are evaluated and updated using migration analysis techniques and other considerations, based on the makeup of the specific portfolio segment. Other considerations such as volumes and trends of delinquencies, nonaccruals, repossessions and bankruptcies, criticized and classified loan trends, current and anticipated foreclosure losses, new products and policies, economic conditions, concentrations of credit risk, and experience and abilities of lending personnel, are also considered in establishing the loss factors.

All loans graded substandard in the amount of \$1 million or more and all credits graded doubtful in the amount of \$100 thousand or more are individually evaluated based on facts and circumstances of the loan and a specific allowance amount designated. Specific allowances may also be established for loans in amounts below the specified thresholds when it is determined that the risk differs significantly from factor amounts established for the category. Although management has allocated a portion of the allowance to specific loan categories using the methods described, the adequacy of the allowance must be considered in its entirety. To mitigate the imprecision in most estimates of expected credit losses, the allocated component of the allowance is supplemented by an unallocated component. The unallocated portion of the allowance includes management's judgmental determination of the amounts necessary for subjective factors such as economic uncertainties and concentration risks. Accordingly, the relationship of the unallocated component to the total allowance for loan losses may fluctuate from period to period. Schedule 10 provides a breakdown of the allowance for loan losses by loan category, and Schedule 11 summarizes loan loss experience. The increases in the allocated allowance at year-end 1999 and 1998 compared to year-end 1997 for commercial, financial and agricultural, and real estate loans are a result of the acquisition of The Sumitomo Bank of California.

Schedule 10

Allocation of the Allowance for Loan Losses

	1999		1998		1997		1996		1995	
	% of Total Loans	Allocation of Allowance	% of Total Loans	Allocation of Allowance	% of Total Loans	Allocation of Allowance	% of Total Loans	Allocation of Allowance	% of Total Loans	Allocation of Allowance
<i>(Amounts in millions)</i>										
<u>Type of loan</u>										
Loans held for sale	1.6	\$ -	2.1	\$ -	3.3	\$ -	3.8	\$ -	3.9	\$ -
Commercial, financial and agricultural	23.8	83	25.4	83	25.5	17	23.8	16	25.8	11
Real estate	67.4	63	64.9	52	57.4	28	59.0	28	53.9	19
Consumer	4.6	12	5.1	12	8.9	10	8.4	8	11.4	11
Lease financing	2.1	6	1.9	6	3.2	2	4.0	2	4.0	2
Other receivables	0.5	-	0.6	-	1.7	-	1.0	-	1.0	-
Total loans	100.0		100.0		100.0		100.0		100.0	
Off-balance sheet unused commitments										
And standby letters of credit		<u>23</u>		<u>20</u>		<u>9</u>		<u>6</u>		<u>8</u>
Total allocated		187		173		66		60		51
Unallocated		<u>17</u>		<u>40</u>		<u>23</u>		<u>17</u>		<u>22</u>
Total allowance for loan losses		<u>\$204</u>		<u>\$213</u>		<u>\$89</u>		<u>\$77</u>		<u>\$73</u>

Schedule 11

Summary of Loan Loss Experience

<i>(Amounts in millions)</i>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Loans* and leases outstanding on December 31. <i>(net of unearned income)</i>	<u>\$12,791</u>	<u>\$11,219</u>	<u>\$5,463</u>	<u>\$3,941</u>	<u>\$3,212</u>
Average loans* and leases outstanding <i>(net of unearned income)</i>	<u>\$11,819</u>	<u>\$ 7,632</u>	<u>\$4,547</u>	<u>\$3,560</u>	<u>\$2,966</u>
Allowance for loan losses:					
Balance at beginning of year	\$ 213	\$ 89	\$ 77	\$ 73	\$ 72
Allowance of companies acquired	3	126	14	3	-
Provision charged against earnings	18	14	6	5	4
Loans and leases charged off:					
Commercial, financial and agricultural	(32)	(9)	(6)	(1)	(1)
Real estate	(3)	(6)	-	-	(1)
Consumer	(9)	(9)	(8)	(8)	(7)
Lease financing	(2)	(1)	-	-	-
Total	<u>(46)</u>	<u>(25)</u>	<u>(14)</u>	<u>(9)</u>	<u>(9)</u>
Recoveries:					
Commercial, financial and agricultural	6	3	2	2	3
Real estate	7	3	2	-	-
Consumer	3	3	2	2	3
Lease financing	-	-	-	1	-
Total	<u>16</u>	<u>9</u>	<u>6</u>	<u>5</u>	<u>6</u>
Net loan and lease charge-offs	<u>(30)</u>	<u>(16)</u>	<u>(8)</u>	<u>(4)</u>	<u>(3)</u>
Balance at end of year	<u>\$ 204</u>	<u>\$ 213</u>	<u>\$ 89</u>	<u>\$ 77</u>	<u>\$ 73</u>
Ratio of net charge-offs to average loans and leases	.25%	.21%	.19%	.11%	.09%
Ratio of allowance for loan losses to loans and leases outstanding on December 31	1.60%	1.89%	1.62%	1.95%	2.28%
Ratio of allowance for loan losses to nonperforming loans on December 31	310.87%	354.94%	655.59%	546.81%	757.58%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more on December 31	238.07%	264.20%	389.19%	458.91%	494.90%

*Includes loans held for sale

MARKET RISK MANAGEMENT

Market risk is the possibility that changes in interest rates or equity securities prices will impair the fair value of the Company's financial instruments. The Asset/Liability Committee (ALCOM) measures and reviews the market risk of the Company and establishes policies and procedures to limit its exposure to changes in interest rates. These policies are reviewed and approved by the Boards of Directors of the Company's subsidiary banks. ALCOM objectives are summarized as follows: ensure the safety and soundness of bank deposits, while providing an appropriate return to shareholders; provide the basis for integrated balance sheet, net interest income and liquidity

management; calculate the duration, dollar duration, and convexity of each class of assets, liabilities, and net equity given defined interest rate scenarios; manage the Company's exposure to changes in net interest income and market value of equity due to interest rate fluctuations; quantify the effect of hedging instruments on the market value of equity and net interest income under defined interest rate scenarios; and identify and report any risk exposures that exceed limitations approved by the Board of Directors.

Interest rate risk is the most significant market risk regularly undertaken by the Company. This risk is monitored through the use of two complementary measurement methods: equity duration and income simulation.

Equity duration is derived by first calculating the dollar duration of all assets, liabilities and off-balance sheet investments. Dollar duration is determined by calculating the market value of each instrument assuming interest rates sustain immediate and parallel movements up 1% and down 1%. The average of these two changes in market value is the dollar duration, which incorporates the value of embedded and explicit options within each instrument. Subtracting the dollar duration of liabilities from the dollar duration of assets and adding the net dollar duration of off-balance sheet items results in the dollar duration of equity. Duration of equity is computed by dividing the dollar duration of equity by the market value of equity.

Income simulation is an estimate of the net interest income which would be recognized under different rate environments. Net interest income is measured under several parallel and non-parallel interest rate environments and considers the possible exercise of options within the portfolio.

At year-end, the Company's duration of equity was estimated to be approximately 3.4 years. A 200 basis point immediate increase in rates was estimated to increase the duration of equity to 4.4 years. Conversely, an immediate decrease in rates of similar magnitude was estimated to decrease the duration of equity to 2.5 years. Company policy requires that all three of these measures be between 0 and 7 years.

For income simulation, Company policy requires that net interest income not be expected to decline by more than 10% during one year if rates were to immediately rise or fall by 200 basis points. At year-end, net interest income was expected to decline 0.6% if interest rates were to sustain an immediate increase of 200 basis points. If interest rates were to similarly decline 200 basis points, net interest income would be expected to decrease 2.3%. These estimates include management's assumptions regarding loan and deposit pricing, security and loan prepayments, and changing relationships to market rates.

Management exercises its best judgment in making assumptions regarding loan and security prepayments, early deposit withdrawals, and other non-controllable events in managing the Company's exposure to changes in interest rates. The interest rate risk position is actively managed and changes daily as the interest rate environment changes; therefore, positions at the end of any period may not be reflective of the Company's position in any subsequent period.

At year-end the one-year gap for the Company was negative \$313 million: i.e., the \$11,130 million of assets that mature or reprice during 2000 was less than the sum of \$10,631 million of liabilities and the \$812 million net effect of off-balance sheet swaps that mature or reprice during the same period. This gap represented 1.5% of total assets. Details of the repricing characteristics of the balance sheet as of year-end are presented in Schedule 12. The Company does not have policy limits regarding its gap position.

Schedule 12

Maturities and Interest Rate Sensitivity on December 31, 1999

	Rate Sensitive					
	Within Three Months	After Three Months but Within One Year	After One Year but Within Five Years	After Five Years	Not Rate Sensitive	Total
<i>(Amounts in millions)</i>						
USES OF FUNDS						
Earning Assets:						
Interest-bearing deposits	\$ 12	\$ 2	\$ 3			\$ 17
Federal funds sold	86					86
Security resell agreements	422					422
Securities:						
Held to maturity	796	1,070	1,264	\$ 200		3,330
Available for sale	98	125	203	353		779
Trading account	328					328
Loans and leases	7,067	1,124	2,983	1,413		12,587
Nonearning assets					\$ 2,732	2,732
Total uses of funds	<u>\$8,809</u>	<u>\$2,321</u>	<u>\$4,453</u>	<u>\$1,966</u>	<u>\$ 2,732</u>	<u>\$20,281</u>
SOURCES OF FUNDS						
Interest-bearing deposits and liabilities:						
Savings and money market deposits	\$1,978	\$ 897	\$4,187	\$ 598		\$ 7,660
Time deposits under \$100,000	525	908	326	78		1,837
Time deposits \$100,000 or more	402	498	113	66		1,079
Foreign	210					210
Securities sold, not yet purchased	237					237
Federal funds purchased	826					826
Security repurchase agreements	1,367					1,367
Commercial paper	239					239
FHLB advances and other borrowings:						
Less than one year	1,038					1,038
Over one year		11	34	68		113
Long-term debt	112	48	1	292		453
Noninterest-bearing deposits	1,335				\$ 1,941	3,276
Other liabilities					247	247
Minority interest					39	39
Shareholders' equity					1,660	1,660
Total sources of funds	<u>\$8,269</u>	<u>\$2,362</u>	<u>\$4,661</u>	<u>\$1,102</u>	<u>\$ 3,887</u>	<u>\$20,281</u>
Off-balance sheet items affecting						
interest rate sensitivity	\$ (972)	\$ 160	\$ 785	\$ 27		
Interest rate sensitivity gap	\$ (432)	\$ 119	\$ 577	\$ 891	\$(1,155)	
Percent of total assets	(2.13)%	0.59%	2.85%	4.39%	(5.69)%	
Cumulative interest rate sensitivity gap	\$ (432)	\$ (313)	\$ 264	\$1,155		
Cumulative as a % of total assets	(2.13)%	(1.54)%	1.30%	5.69%		

The Company, through the management of maturities and repricing of its assets and liabilities and the use of off-balance sheet arrangements, including interest rate caps, floors, futures, options and exchange agreements, attempts to manage the effect on net interest income of changes in interest rates. The prime lending rate is the primary basis used for pricing the Company's loans and the 91-day Treasury bill rate is the index used for pricing many of the Company's deposits. The Company, however, is unable to economically hedge the prime/T-bill spread risk through the use of derivative financial instruments. Interest rate swap maturities and average rates are presented in Schedule 13. For additional information regarding off-balance sheet financial contracts, refer to Notes 1, 12 and 19 of Notes to Consolidated Financial Statements.

Schedule 13

Interest Rate Swap Maturities and Average Rates

<i>(Amounts in millions)</i>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Thereafter</u>	<u>Total</u>
Receive fixed rate:						
Notional amount	\$221	\$51	\$93	\$182	\$164	\$711
Weighted average rate received	6.28%	6.34%	6.39%	6.25%	6.15%	6.26%
Weighted average rate paid	6.37%	6.21%	6.24%	6.29%	6.38%	6.33%

LIQUIDITY RISK MANAGEMENT

The Company manages its liquidity to provide adequate funds to meet its financial obligations, including withdrawals by depositors and debt service requirements, as well as to fund customers' demand for credit. Liquidity is primarily provided by the regularly scheduled maturities of the Company's investment and loan portfolios. Management of the maturities of these portfolios is an important source of medium- to long-term liquidity. The Company's ability to raise funds in the capital markets through the securitization process allows it to take advantage of market opportunities to meet funding needs at a reasonable cost.

To meet the Company's short-term liquidity needs, on December 31, 1999 the Company had cash, money market investments, and liquid securities net of short-term or "purchased" liabilities and foreign deposits, of \$618 million or 4.8% of core deposits. The Company's core deposits, consisting of demand, savings, money market, and time deposits under \$100,000, constituted 90.8% of total deposits at year-end.

The Parent Company's cash requirements consist primarily of debt service, dividends to shareholders, operating expenses, income taxes and share repurchases. The Parent's cash needs are routinely met through dividends from subsidiaries, proportionate shares of current income taxes, management and other fees, unaffiliated bank lines and debt issuance.

At December 31, 1999, \$55.5 million of dividend capacity was available from subsidiaries to pay to the Parent without having to obtain regulatory approval. During 1999, dividends from subsidiaries were \$109.9 million. During 1998 the Company started a program to issue short-term commercial paper. At December 31, 1999 outstanding commercial paper was \$239 million. At December 31, 1999 the Parent had revolving credit facilities with two banks totaling \$50 million. On that date, the balance outstanding on these bank lines was \$25 million.

Year 2000

The Company has successfully completed its Year 2000 program efforts and as of the date of this report has experienced no significant problems with its systems as a result of the Year 2000 date change. The Company also received no reports of significant customer problems related to the Year 2000 change that could put the Company at risk. The Company will continue to monitor systems activities related to identified additional critical dates during and beyond 2000.

The aggregate estimated increase in operating expense for the Company to achieve Year 2000 readiness was approximately \$3 million, which was incurred in 1999 and prior. In addition, a significant portion of the Company's personal computers were replaced during 1999 to achieve Year 2000 compliance. The capital outlay to replace these assets was approximately \$3 million, a portion of which would also have been incurred in the ordinary course of business without regard to Year 2000 issues.

Forward-Looking Information

Statements in Management's Discussion and Analysis that are not based on historical data are forward-looking, including, for example, the projected performance of Zions and its operations. These statements constitute forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from the projections discussed in Management's Discussion and Analysis, since such projections involve significant risks and uncertainties. Factors that might cause such differences include, but are not limited to: the timing of closing proposed acquisitions being delayed or such acquisitions being prohibited; competitive pressures among financial institutions increasing significantly; economic conditions, either nationally or locally in areas in which Zions conducts its operations, being less favorable than expected; and legislation or regulatory changes which adversely affect the Company's operations or business. Zions disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

Consolidated Condensed Statements of Income

The following consolidated condensed statements of income present earnings and operating cash earnings information as restated. The Company has restated prior year financial information for a significant acquisition accounted for as a pooling of interests. See Note 2 of Notes to Consolidated Financial Statements for further information on the acquisition.

	Consolidated Condensed Statements of Income				
<i>(Amounts in millions)</i>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Net interest income	\$ 741.5	\$573.9	\$369.6	\$297.1	\$259.7
Noninterest income	<u>266.5</u>	<u>210.1</u>	<u>148.3</u>	<u>117.5</u>	<u>94.0</u>
Total revenue	1,008.0	784.0	517.9	414.6	353.7
Provision for loan losses	17.9	14.0	5.9	4.8	4.3
Noninterest expense ¹	<u>617.9</u>	<u>486.8</u>	<u>305.1</u>	<u>237.5</u>	<u>210.8</u>
Pretax cash earnings	372.2	283.2	206.9	172.3	138.6
Income tax expense	123.5	88.4	68.6	57.3	45.6
Minority interest	<u>4.9</u>	<u>0.4</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash earnings ¹	243.8	194.4	138.3	115.0	93.0
Amortization of goodwill and core deposit intangibles	36.0	31.7	7.1	2.3	2.5
Merger expense	27.7	38.1	0.7	-	-
Income tax benefit	<u>(14.0)</u>	<u>(18.8)</u>	<u>(0.9)</u>	<u>(0.1)</u>	<u>(0.3)</u>
Net income	<u>\$ 194.1</u>	<u>\$143.4</u>	<u>\$131.4</u>	<u>\$112.8</u>	<u>\$ 90.8</u>
Operating cash earnings per share <i>(diluted)</i> ¹	<u>\$ 2.84</u>	<u>\$ 2.37</u>	<u>\$ 2.03</u>	<u>\$ 1.73</u>	<u>\$ 1.46</u>
Net income per share <i>(diluted)</i>	<u>\$ 2.26</u>	<u>\$ 1.75</u>	<u>\$ 1.92</u>	<u>\$ 1.69</u>	<u>\$ 1.42</u>

¹ Before amortization of goodwill and core deposit intangible assets and merger expense.

Independent Auditors' Report

The Board of Directors and Shareholders
Zions Bancorporation:

We have audited the accompanying consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, cash flows, and changes in shareholders' equity and comprehensive income for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Zions Bancorporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

Salt Lake City, Utah
February 7, 2000

ZIONS BANCORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 1999 and 1998

(In thousands, except share amounts)

Assets	1999	1998
Cash and due from banks	\$ 898,300	922,654
Money market investments:		
Interest-bearing deposits	17,371	30,484
Federal funds sold	85,898	246,946
Security resell agreements	421,900	382,275
Investment securities:		
Held to maturity, at cost (approximate market value \$3,290,508 and \$2,869,162)	3,330,444	2,850,756
Available for sale, at market:	778,930	954,057
Trading account, at market	327,845	191,855
Loans:		
Loans held for sale	204,800	232,253
Loans, leases, and other receivables	12,648,325	11,037,292
	12,853,125	11,269,545
Less:		
Unearned income and fees, net of related costs	62,480	50,059
Allowance for loan losses	204,114	212,557
Net loans	12,586,531	11,006,929
Premises and equipment, net	287,448	249,896
Goodwill and core deposit intangibles	666,219	663,606
Other real estate owned	8,939	5,270
Other assets	871,075	544,895
	<u>\$ 20,280,900</u>	<u>18,049,623</u>
Liabilities and Shareholder's Equity		
Deposits:		
Noninterest-bearing	\$ 3,276,097	3,394,884
Interest-bearing:		
Savings and money market	7,660,786	6,544,607
Time:		
Under \$100,000	1,836,645	2,439,696
Over \$100,000	1,078,631	1,637,479
Foreign	209,780	204,244
	14,061,939	14,220,910
Securities sold, not yet purchased	237,020	29,702
Federal funds purchased	825,997	337,283
Security repurchase agreements	1,366,653	992,671
Accrued liabilities	247,406	321,258
Commercial paper	238,660	49,217
Federal Home Loan Bank advances and other borrowings:		
Less than one year	1,038,045	100,750
Over one year	112,622	56,796
Long-term debt	453,471	453,735
Total liabilities	18,581,813	16,562,322
Minority interest	39,249	34,670
Shareholders' equity:		
Capital stock:		
Preferred stock, without par value; authorized 3,000,000 shares; issued and outstanding, none		
Common stock, without par value; authorized 200,000,000 shares; issued and outstanding, 85,592,643 shares and 83,554,630 shares	888,231	796,519
Accumulated other comprehensive loss	(4,158)	(3,407)
Retained earnings	775,765	659,519
Total shareholders' equity	1,659,838	1,452,631
	<u>\$ 20,280,900</u>	<u>18,049,623</u>

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Income Years ended December 31, 1999, 1998, and 1997 *(In thousands, except share amounts)*

	1999	1998	1997
Interest income:			
Interest and fees on loans	\$ 1,001,741	694,338	423,456
Interest on loans held for sale	12,194	14,256	11,874
Lease financing	13,293	12,630	13,190
Interest on money market investments	67,234	92,248	88,267
Interest on securities:			
Held to maturity:			
Taxable	175,701	131,712	106,691
Nontaxable	18,784	16,154	12,851
Available for sale:			
Taxable	36,480	44,735	41,581
Nontaxable	3,844	2,733	2,872
Trading account	30,067	24,043	16,211
Total interest income	<u>1,359,338</u>	<u>1,032,849</u>	<u>716,993</u>
Interest expense:			
Interest on savings and money market deposits	247,729	173,833	125,124
Interest on time and foreign deposits	166,749	143,313	69,260
Interest on borrowed funds	203,371	141,761	153,005
Total interest expense	<u>617,849</u>	<u>458,907</u>	<u>347,389</u>
Net interest income	741,489	573,942	369,604
Provision for loan losses	17,956	14,034	5,930
Net interest income after provision for loan losses	723,533	559,908	363,674
Noninterest income:			
Service charges on deposit accounts	76,756	61,131	44,682
Other service charges, commissions, and fees	66,098	57,027	40,861
Trust income	15,762	10,969	8,075
Investment securities gain (loss), net	(2,970)	4,055	888
Underwriting and trading income	11,551	9,239	5,716
Loan sales and servicing income	40,516	50,365	38,734
Other	58,832	17,411	9,354
Total noninterest income	<u>266,545</u>	<u>210,197</u>	<u>148,310</u>
Noninterest expense:			
Salaries and employee benefits	346,710	261,531	164,938
Occupancy, net	49,393	33,387	17,970
Furniture and equipment	45,477	38,256	24,500
Other real estate expense (income)	(66)	656	301
Legal and professional services	16,156	16,345	8,052
Supplies	11,168	11,904	8,444
Postage	11,656	11,030	7,284
Advertising	18,502	12,613	7,360
FDIC premiums	2,152	1,528	708
Merger expense	27,691	38,128	815
Amortization of goodwill and core deposit intangibles	36,008	31,641	7,069
Amortization of mortgage servicing assets	911	5,484	2,152
Other	115,809	94,197	63,321
Total noninterest expense	<u>681,567</u>	<u>556,700</u>	<u>312,914</u>
Income before income taxes and minority interest	308,511	213,405	199,070
Income taxes	109,498	69,632	67,667
Net income before minority interest	199,013	143,773	131,403
Minority interest	4,949	420	-
Net income	<u>\$ 194,064</u>	<u>143,353</u>	<u>131,403</u>
Weighted-average common and common-equivalent shares outstanding during the year	<u>85,695</u>	<u>81,918</u>	<u>68,258</u>
Net income per common share:			
Basic	<u>\$ 2.29</u>	<u>1.77</u>	<u>1.95</u>
Diluted	<u>\$ 2.26</u>	<u>1.75</u>	<u>1.92</u>

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 1999, 1998, and 1997

(In thousands)

	1999	1998	1997
Cash flows from operating activities:			
Net income	\$ 194,064	143,353	131,403
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for loan losses	17,956	14,034	5,930
Depreciation of premises and equipment	39,155	29,861	18,689
Amortization	51,367	50,506	15,581
Accretion of unearned income and fees, net of related costs	18,437	(5,695)	1,545
Income to minority interest	4,949	420	-
Proceeds from sales of trading account securities	188,710,001	175,432,243	119,209,754
Increase in trading account securities	(188,845,991)	(175,540,070)	(119,259,359)
Investment securities (gain) loss, net	2,970	(4,055)	(888)
Proceeds from loans held-for-sale	878,638	1,237,514	742,244
Increase in loans held-for-sale	(852,309)	(1,296,803)	(764,066)
Net gain on sales of loans, leases and other assets	(31,674)	(43,644)	(28,402)
Change in accrued income taxes	4,792	22,916	677
Change in accrued interest receivable	(15,457)	1,420	(20,895)
Change in accrued interest payable	201	1,183	4,299
Other, net	(175,671)	(54,790)	(26,422)
Net cash provided by (used in) operating activities	1,428	(11,607)	30,090
Cash flows from investing activities:			
Net decrease (increase) in money market investments	135,386	874,130	(234,135)
Proceeds from maturities of investment securities held to maturity	804,139	3,466,594	1,002,836
Purchases of investment securities held to maturity	(1,360,049)	(3,519,660)	(1,653,038)
Proceeds from sales of investment securities available for sale	367,345	573,197	301,316
Proceeds from maturities of investment securities available for sale	353,714	275,785	123,369
Purchases of investment securities available for sale	(652,017)	(789,738)	(443,427)
Proceeds from sales of loans and leases	1,005,530	918,948	968,717
Net increase in loans and leases	(2,469,077)	(2,033,560)	(1,534,767)
Principal collections on leveraged leases	8,118	3,840	5,748
Payments on leveraged leases	(8,118)	(3,840)	(5,748)
Proceeds from sales of premises and equipment	17,441	5,370	7,677
Purchases of premises and equipment	(93,769)	(75,461)	(41,994)
Proceeds from sales of mortgage-servicing rights	21,307	6,654	1,771
Purchases of mortgage-servicing rights	(1,098)	(5,149)	(3,123)
Proceeds from sales of other assets	7,892	10,299	3,578
Cash paid for acquisitions, net of cash received	8,847	(246,485)	37,304
Net cash used in investing activities	(1,854,409)	(539,076)	(1,463,916)
Cash flows from financing activities:			
Net decrease (increase) in deposits	(365,695)	782,325	1,286,816
Net change in short-term funds borrowed	2,193,152	(91,272)	387,272
Proceeds from FHLB advances over one year	365,000	4,665	180,000
Payments on FHLB advances over one year	(309,755)	(167,886)	(47,980)
Proceeds from issuance of long-term debt	-	195,041	-
Payments on long-term debt	(264)	(20,556)	(554)
Proceeds from issuance of common stock	9,753	137,404	3,761
Payments to redeem common stock	(6,650)	(25,744)	(121,394)
Dividends paid	(56,914)	(41,600)	(29,040)
Net cash provided by financing activities	1,828,627	772,377	1,658,881
Net (decrease) increase in cash and due from banks	(24,354)	221,694	225,055
Cash and due from banks at beginning of year	922,654	700,960	475,905
Cash and due from banks at end of year	\$ 898,300	922,654	700,960

ZIONS BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income

Years ended December 31, 1999, 1998, and 1997

(In thousands, except share amounts)

	Common stock		Compre- hensive Income	Accum- ulated Other Compre- hensive Income (Loss)	Retained Earnings	Total Share- holders' Equity
	Shares	Amount				
BALANCE, DECEMBER 31, 1996	64,480,158	\$ 101,605	-	(1,631)	468,775	568,749
Net income	-	-	131,403	-	131,403	131,403
Other comprehensive income, net of tax:						
Realized and unrealized holding gain arising during the year, net of tax expense of \$3,868	-	-	6,245	-	-	-
Reclassification for realized gain recorded in the income statement, net of tax expense of \$48	-	-	(77)	-	-	-
Other comprehensive income	-	-	6,168	6,168	-	6,168
Total comprehensive income	-	-	\$ 137,571	-	-	-
Cash dividends:						
Common, \$.47 per share	-	-	-	-	(28,428)	(28,428)
Preferred dividends of acquired companies prior to merger	-	-	-	-	(612)	(612)
Stock dividend of acquired company	389,380	11,447	-	-	(11,452)	(5)
Issuance of common shares for acquisitions	8,374,833	295,564	-	-	-	295,564
Stock redeemed and retired	(3,649,018)	(121,389)	-	-	-	(121,389)
Stock options exercised, net of shares tendered and retired	369,165	5,156	-	-	-	5,156
BALANCE, DECEMBER 31, 1997	69,964,518	292,383	143,353	4,537	559,686	856,606
Net income	-	-	143,353	-	143,353	143,353
Other comprehensive loss, net of tax:						
Realized and unrealized holding loss arising during the year, net of tax benefit of \$3,595	-	-	(5,803)	-	-	-
Reclassification for realized gain recorded in the income statement, net of tax expense of \$1,551	-	-	(2,504)	-	-	-
Other comprehensive loss	-	-	(8,307)	(8,307)	-	(8,307)
Total comprehensive income	-	-	\$ 135,046	-	-	-
Cash dividends:						
Common, \$.54 per share	-	-	-	-	(40,715)	(40,715)
Preferred dividends of acquired companies prior to merger	-	-	-	-	(887)	(887)
Stock dividend of acquired company	446,452	21,000	-	-	(21,009)	(9)
Net proceeds from stock offering	2,760,000	130,131	-	-	-	130,131
Issuance of common shares for acquisitions	10,041,306	368,259	-	363	19,091	387,713
Exercise of acquired company warrants prior to acquisition	257,056	1,852	-	-	-	1,852
Stock redeemed and retired	(591,009)	(25,696)	-	-	-	(25,696)
Stock options exercised, net of shares tendered and retired	676,307	8,590	-	-	-	8,590
BALANCE, DECEMBER 31, 1998	83,554,630	796,519	(3,407)	659,519	1,452,631	

ZIONS BANCORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income

Years ended December 31, 1999, 1998, and 1997

(In thousands, except share amounts)

	Common Stock		Compre- hensive Income	Accum- ulated Other Compre- hensive Income (Loss)	Retained Earnings	Total Share- holders' Equity
	Shares	Amount				
Net income	-	\$ -	194,064	-	194,064	194,064
Other comprehensive loss, net of tax:						
Realized and unrealized holding loss arising during the year, net of tax benefit of \$5,405	-	-	(8,726)	-	-	-
Reclassification for realized loss recorded in the income statement, net of tax benefit of \$4,940	-	-	7,975	-	-	-
Other comprehensive loss	-	-	(751)	(751)	-	(751)
Total comprehensive income	-	-	<u>\$ 193,313</u>	-	-	-
Cash dividends:						
Common, \$.72 per share	-	-	-	-	(56,914)	(56,914)
Stock dividend of acquired company	107	21,694	-	-	(21,701)	(7)
Issuance of common shares for acquisitions	1,571,143	58,358	-	-	797	59,155
Stock redeemed and retired	(115,769)	(6,650)	-	-	-	(6,650)
Stock options exercised, net of shares tendered and retired	<u>582,532</u>	<u>18,310</u>	-	-	-	<u>18,310</u>
BALANCE, DECEMBER 31, 1999	<u>85,592,643</u>	<u>\$ 888,231</u>		<u>(4,158)</u>	<u>775,765</u>	<u>1,659,838</u>

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

(1) Summary of Significant Accounting Policies

Business - Zions Bancorporation (the Parent) is a multibank holding company organized under the laws of Utah in 1955, which provides a full range of banking and related services through its subsidiaries operating primarily in Utah, Idaho, California, Colorado, Arizona, Nevada, and Washington.

Basis of Financial Statement Presentation - The consolidated financial statements include the accounts of Zions Bancorporation and its subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current financial statement presentation. In addition, consolidated financial statements for all periods presented have been restated to include the results of operations, financial position and cash flows for the 1999 acquisition of Pioneer Bancorporation, which was accounted for as a pooling of interests.

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and prevailing practices within the financial services industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates.

Security Resell Agreements - Security resell agreements represent overnight and term agreements, the majority maturing within 30 days. Either the Company or, in some instances, third parties on behalf of the Company take possession of underlying securities. The market value of such securities is monitored throughout the contract term to ensure that asset value remains sufficient to protect against counterparty default. Security resell agreements averaged approximately \$1,038 million during 1999, and the maximum amount outstanding at any month-end during 1999 was \$1,525 million.

Securities - The Company classifies its securities according to their purpose and holding period. Gains or losses on the sale of securities are recognized on a specific identification method and recorded in noninterest income.

Held to maturity securities, primarily debt securities, are stated at cost, net of unamortized premiums and unaccreted discounts. The Company has the intent and the ability to hold such securities until maturity.

Debt securities that may not be held until maturity and marketable equity securities are classified as available for sale and are reported at fair value, with unrealized gains and losses, after applicable taxes, reported as a component of cumulative other comprehensive income. Declines in the value of debt securities and marketable equity securities that are considered other than temporary are recorded in noninterest income.

Securities acquired for a short-term appreciation or other trading purposes are classified as trading securities and are recorded at fair value. Realized and unrealized gains and losses resulting from such fair value adjustments and from recording the results of sales are recorded in trading income.

The market values of available for sale and trading securities are generally based on quoted market prices or dealer quotes. If a quoted market price is not available, market value is estimated using quoted market prices for similar securities.

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Nonmarketable Securities - Nonmarketable securities include venture capital securities and securities acquired for various debt and regulatory requirements. Venture capital securities are reported at estimated fair values, in the absence of readily ascertainable market values. Changes in fair value and gains and losses from sales are recognized in noninterest income. The values assigned to the securities where no market quotation exists are based upon available information and may not necessarily represent amounts that will ultimately be realized. Such estimated amounts depend on future circumstances. These estimated amounts will not be realized until the individual securities are liquidated. The valuation procedures applied include consideration of economic and market conditions, current and projected financial performance of the investee company, and the investee company's management team. Management believes that the cost of an investment is initially considered the best indication of estimated fair value unless there have been significant subsequent positive or negative developments that justify an adjustment in the fair value estimate. Other nonmarketable securities acquired for various debt and regulatory requirements are accounted for at cost. These nonmarketable securities are included in other assets on the Company's balance sheet.

Loans - Loans are reported at the principal amount outstanding, net of unearned income. Unearned income, which includes deferred fees net of deferred direct incremental loan origination costs, is amortized to interest income generally over the life of the loan using an interest method or the straight-line method if it is not materially different.

Loans held for sale are carried at the lower of cost or market value because the Company does not intend to hold these loans until maturity or sales of loans are pending. Gains and losses are recorded in noninterest income, based on the difference between sales proceeds and carrying value.

Nonaccrual Loans - Loans are generally placed on a nonaccrual status when principal or interest is past due 90 days or more unless the loan is both well-secured and in the process of collection, or when in the opinion of management, full collection of principal or interest is unlikely. Generally, consumer loans are not placed on a nonaccrual status, inasmuch as they are generally charged off when they become 120 days past due. Generally, a loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement or when the loan is both well-secured and in the process of collection.

Impaired Loans - Loans, other than those included in large groups of smaller-balance homogeneous loans, are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. For a loan that has been restructured, the contractual terms of the loan agreement refer to the contractual terms specified by the original loan agreement, not the contractual terms specified by the restructuring agreement.

This assessment for impairment occurs when and while such loans are on nonaccrual, or the loan has been restructured. When a loan with unique risk characteristics has been identified as being impaired, the amount of impairment will be measured by the Company using discounted cash flows, except when it is determined that the sole (remaining) source of repayment for the loan is the operation or liquidation of the underlying collateral. In such cases, the current fair value of the collateral, reduced by costs to sell, will be used in place of discounted cash flows.

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If the measurement of the impaired loan is less than the recorded investment in the loan (including accrued interest, net deferred loan fees or costs and unamortized premium or discount), an impairment is recognized by creating or adjusting an existing allocation of the allowance for loan losses.

Restructured Loans – In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a restructured (accruing) loan. Loans restructured at a rate equal to or greater than that of a new loan with comparable risk at the time the contract is modified may be excluded from the impairment assessment and may cease to be considered impaired loans in the calendar years subsequent to the restructuring if they are not impaired based on the modified terms.

Generally, a nonaccrual loan that is restructured remains on nonaccrual for a period of six months to demonstrate that the borrower can meet the restructured terms. However, performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan.

Allowance for Loan Losses – In analyzing the adequacy of the allowance for loan and lease losses, management utilizes a comprehensive loan grading system to determine risk potential in the portfolio, and considers the results of independent internal and external credit review. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type. Historical loss experience factors by segment, adjusted for changes in trends and conditions, are used in determining the required allowance for each segment. Historical loss factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific portfolio segment. Other considerations, such as volumes and trends of delinquencies, nonaccruals, repossessions and bankruptcies, criticized and classified loan trends, current and anticipated foreclosure losses, new products and policies, economic conditions, concentrations of credit risk, and experience and abilities of lending personnel, are also considered in establishing the loss factors.

All loans graded substandard in the amount of \$1 million or more and all credits graded doubtful in the amount of \$100 thousand or more are individually evaluated based on facts and circumstances of the loan and a specific allowance amount designated. Specific allowances may also be established for loans in amounts below the specific thresholds when it is determined that the risk differs significantly from factor amounts established for the category. Although management has allocated a portion of the allowance to specific loan categories using the methods described, the adequacy of the allowance must be considered in its entirety. To mitigate the imprecision in most estimates of expected credit losses, the allocated component of the allowance is supplemented by an unallocated component. The unallocated portion of the allowance includes management's judgmental determination of the amounts necessary for subjective factors such as economic uncertainties and concentration risks. Accordingly, the relationship of the unallocated component to the total allowance for loan losses may fluctuate from period to period.

Premises and Equipment – Premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation, computed on the straight-line method, is charged to operations over the estimated useful lives of the properties. Leasehold improvements are amortized over the terms of respective leases or the estimated useful lives of the improvements, whichever is shorter.

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Goodwill and Identifiable Intangible Assets - Goodwill, representing the excess of purchase price over the fair value of net assets acquired, results from acquisitions made by the Company. Substantially all of the Company's goodwill is being amortized using the straight-line method over 25 years. Core deposit intangibles are amortized on an accelerated basis based on an estimated useful life of 10 years.

The Company reviews its intangible assets periodically for other-than-temporary impairment. If such impairment is indicated, recoverability of the asset is assessed based on expected undiscounted net cash flows.

Mortgage Servicing Rights - The Company recognizes as separate assets the rights to service mortgage loans for others, whether the servicing rights are acquired through purchases or loan originations. The fair value of capitalized mortgage servicing rights is based upon the present value of estimated future cash flows. Based upon current fair values, capitalized mortgage servicing rights are periodically assessed for impairment, which is recognized in the statement of income during the period in which impairment occurs. For purposes of performing its impairment evaluation, the Company stratifies its portfolio on the basis of certain risk characteristics including loan type and note rate. Capitalized mortgage servicing rights are amortized over the period of estimated net servicing income and take into account appropriate prepayment assumptions.

Off-Balance Sheet Financial Instruments - In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they become payable. The credit risk associated with these commitments is considered in management's determination of the allowance for possible losses.

Interest Rate Exchange Contracts and Cap and Floor Agreements - The Company enters into interest rate exchange contracts (swaps) and cap and floor agreements as part of its overall asset and liability duration and interest rate risk management strategy. The objective of these financial instruments is to match estimated repricing periods of interest-sensitive assets and liabilities in order to reduce interest rate exposure and/or manage desired asset and liability duration. With the exception of interest rate caps and floors, the instruments are used to hedge asset and liability portfolios and, therefore, are not marked to market. Fees associated with these financial instruments are accreted into interest income or amortized to interest expense on a straight-line basis over the lives of the contracts and agreements. Gains or losses on early termination of a swap are amortized on the remaining term of the contract when the underlying assets or liabilities still exist. Otherwise, such gains or losses are fully recorded as income or expense at the termination of the contract. The net interest received or paid on these contracts is reflected on a current basis in the interest income or expense related to the hedged obligation or asset.

Statements of Cash Flows - The Company paid interest of \$617.6 million, \$459.7 million, and \$378.5 million, respectively, and income taxes of \$28.3 million, \$55.4 million, and \$68.7 million, respectively, for the years ended December 31, 1999, 1998, and 1997. Loans transferred to other real estate owned totaled \$11 million, \$5 million, and \$9 million, respectively, for the years ended December 31, 1999, 1998 and 1997.

Income Taxes - Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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The exercise of stock options under the Company's nonqualified stock option plan resulted in tax benefits reducing the Company's current income tax payable and increasing common stock in the amounts of \$8.6 million, \$3.4 million, and \$1.2 million in 1999, 1998, and 1997, respectively.

Net Income Per Common Share - Diluted net income per common share is based on the weighted-average outstanding common shares during each year, including common stock equivalents. Basic net income per common share is based on the weighted-average outstanding common shares during each year.

Accounting Standards Not Adopted - In September 1998, the FASB issued Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Statement No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The accounting for gains and losses of a derivative depends on the intended use of the derivative and the resulting designation.

Under this statement, an entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk. The original effective date of this statement, as amended by Statement No. 137, has been delayed and it is now effective for all fiscal quarters of fiscal years beginning after September 15, 2000, and should not be applied retroactively to financial statements of prior periods. The Company is currently studying the statement to determine its future effects.

(2) Mergers and Acquisitions

On October 5, 1999, the Company acquired all of the outstanding shares of Regency Bancorp ("Regency"), a bank holding company headquartered in Fresno, California, in exchange for 985 thousand shares of the Company's common stock. The acquisition was accounted for as a purchase and accordingly, the Company's financial statements reflect its operations from the date of acquisition. Goodwill of approximately \$33 million was recorded in the fourth quarter of 1999 and is being amortized over 25 years using the straight-line method. The pro forma effect on prior period results of operations is not significant.

On October 15, 1999, the Company completed its acquisition of Pioneer Bancorporation ("Pioneer"), located in Reno, Nevada, resulting in the issuance of approximately 5.4 million shares of the Company's common stock for all the outstanding shares of Pioneer common stock in a tax-free exchange. The acquisition of Pioneer was accounted for as a pooling of interests and, accordingly, financial information for all periods presented prior to the date of acquisition has been restated to present the combined financial condition and results of operations as if the acquisition had been in effect for all such periods. At September 30, 1999, Pioneer had assets of approximately \$1 billion, net loans of \$675 million, deposits of \$941 million, shareholders' equity of \$73 million, and net income applicable to common shareholders of \$10.6 million.

On January 6, 1998, the Company completed its acquisition of Vectra Banking Corporation and its banking subsidiary, Vectra Bank, located in Denver, Colorado, in exchange for 4.0 million shares of the Company's common stock. The acquisition was accounted for using the purchase method of accounting, the results of the acquisition are included in the periods subsequent to the acquisition date. Excess cost over net assets purchased of \$129 million was recorded in the first quarter of 1998 in connection with this purchase.

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On May 22, 1998, the Company acquired all the outstanding shares of FP Bancorp, Inc. ("FP") of Escondido, California, and its banking subsidiary, First Pacific National Bank. The Company issued 1.9 million shares of the Company's common stock. The acquisition was accounted for as a purchase, the results of the acquisition are included in the periods subsequent to the acquisition date. Excess cost over net assets purchased of \$57 million was recorded in the second quarter of 1998 in connection with this purchase.

On September 8, 1998, the Company acquired The Commerce Bancorporation ("Commerce") and its banking subsidiary, The Commerce Bank of Washington, N.A., for 1.9 million shares of the Company's common stock. On the date of acquisition, Commerce had total assets of \$318 million and total shareholders' equity of \$24 million. The acquisition was accounted for as a pooling of interests and, accordingly, financial information for all periods presented prior to the date of acquisition has been restated to present the combined financial condition and results of operations as if the acquisition had been in effect for all such periods.

On October 1, 1998, the Company acquired The Sumitomo Bank of California ("Sumitomo"), located in San Francisco, California. Cash consideration of approximately \$546.0 million was paid for the acquisition. Sumitomo had total assets of \$4.5 billion and total shareholders' equity of \$427 million at the date of acquisition. The acquisition was accounted for using the purchase method of accounting, the results of the acquisition are included in the periods subsequent to the acquisition date. The Company recorded \$107 million of goodwill with this transaction. Sumitomo and FP were merged with Grossmont Bank, and the name was changed to California Bank & Trust ("CB&T"). The Company sold a minority interest in CB&T to a limited partnership and Director of the Company for its cost basis of approximately \$33 million.

During 1998, the Company completed the acquisition of four additional banking organizations in Colorado, namely Sky Valley Bank Corp., Tri-State Finance Corporation, Routt County National Bank Corporation, and SBT Bankshares, for an aggregate of 2.4 million shares of common stock. These acquisitions were accounted for as purchases and, accordingly, the Company's financial statements reflect them from the date of acquisition. The Company recorded \$69 million in goodwill in connection with these purchases.

During 1998, the Company issued 1.7 million shares of the Company's common stock to acquire four additional banking organizations in Colorado, namely Kersey Bancorp., N.A.; Eagle Holding Company; Citizens Banco, Inc.; and Mountain Financial Holding Company. Each of these acquisitions was accounted for as a pooling of interests and was not considered material to the historical results of the Company, and accordingly, the Company's financial statements were not restated.

On January 7, 2000, the Company announced a definitive agreement to acquire County Bank in Prescott, Arizona, in exchange for Zions Bancorporation common stock. As of December 31, 1999, County Bank had total assets of approximately \$242 million (unaudited). This transaction is intended to be accounted for as a pooling of interests and is expected to close in the second quarter of 2000.

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Merger expenses for each of the years in the three-year period ended December 31, 1999, are presented below.

<i>(In thousands)</i>	Years Ended December 31,		
	1999	1998	1997
Severance and other employee benefits	\$ 12,363	16,604	-
Equipment and occupancy expense	1,722	7,773	-
Integration of business operations	451	5,834	-
Integration of information systems	3,403	1,668	-
Legal and other professional fees	4,810	5,957	940
Other integration costs	4,942	5,134	1,767
	<u>\$ 27,691</u>	<u>42,970</u>	<u>2,707</u>

In connection with the Régency and Pioneer mergers, the Company recorded pre-tax merger expenses of \$14.3 million in 1999. These costs were comprised of: \$9.6 million in severance and other employee benefits; integration of information systems totaling \$320 thousand; \$3.5 million in expenses for legal and other professional fees; and other integration costs of \$912 thousand. During 1999, the Company paid \$4.5 million in accrued severance and other employee benefits and \$3.5 million in legal and other professional fees and other integration costs. At December 31, 1999, \$5.1 million in severance and other employee benefits, \$320 thousand in integration of information systems and \$491 thousand of other integration costs remained accrued. The Company expects that substantially all of the unpaid merger expenses at December 31, 1999, will be paid in 2000. During 1999, the Company paid \$455 thousand of severance and other employee benefits, \$1.1 million of legal and other professional fees, and \$3.5 million in other integration costs associated with earlier acquisitions.

The Company recorded pre-tax merger expenses of \$38.1 million in 1998 in connection with the Sumitomo and eleven other mergers. The Sumitomo merger expenses included: \$5.3 million in severance and other employee benefits; \$7.8 million in real property lease terminations; \$5.8 million in integration of business systems; and \$1.7 million in integration of information systems. In connection with the other eleven mergers, the Company incurred \$6.3 million in severance and other employee benefits, \$6.0 million in legal and other professional fees, and \$5.2 million in other integration costs. As a result of these twelve mergers, merger costs of \$38.1 million and a liability of \$22.1 million were recorded in 1998 and were paid in total during 1999.

As a result of the consolidation effort associated with Sumitomo, the Company recorded additional pre-tax merger expenses of \$8.4 million during 1999, which amount remained accrued at December 31, 1999. Those costs are comprised of \$2.3 million for severance and other employee benefits; \$1.7 million in equipment and occupancy costs; \$451 thousand in integration of business operations; \$3.1 million in integration of information systems; \$295 thousand in legal and professional fees; and \$546 thousand in other integration costs. The Company expects that substantially all of the unpaid merger expenses at December 31, 1999, will be paid in 2000.

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(3) Investment Securities

Investment securities as of December 31, 1999, are summarized as follows (in thousands):

Held to Maturity				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury securities	\$ 1,497	-	2	1,495
U.S. government agencies and corporations:				
Small Business Administration loan- backed securities	439,818	7,077	2,284	444,611
Other agency securities	1,269,677	445	36,903	1,233,219
States and political subdivisions	313,743	1,265	6,146	308,862
Mortgage-backed securities	1,305,709	4,448	7,836	1,302,321
	<u>\$ 3,330,444</u>	<u>13,235</u>	<u>53,171</u>	<u>3,290,508</u>
Available for Sale				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury securities	\$ 93,106	178	455	92,829
U.S. government agencies and corporations	50,682	28	920	49,790
States and political subdivisions	102,108	165	5,025	97,248
Mortgage - and other asset-backed securities	146,920	350	4,453	142,817
	<u>392,816</u>	<u>721</u>	<u>10,853</u>	<u>382,684</u>
Equity securities:				
Mutual funds:				
Accessor Funds, Inc.	140,935	186	2,447	138,674
Stock	242,700	14,921	49	257,572
	<u>\$ 776,451</u>	<u>15,828</u>	<u>13,349</u>	<u>778,930</u>

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Investment securities as of December 31, 1998, are summarized as follows *(in thousands)*:

Held to Maturity				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury securities	\$ 62,412	155	-	62,567
U.S. government agencies and corporations:				
Small Business Administration loan-				
backed securities	358,161	1,065	3,110	356,116
Other agency securities	940,059	5,753	1,984	943,828
States and political subdivisions	331,314	9,134	128	340,320
Mortgage-backed securities	1,158,810	7,787	266	1,166,331
	<u>\$ 2,850,756</u>	<u>23,894</u>	<u>5,488</u>	<u>2,869,162</u>
Available for Sale				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury securities	\$ 97,859	1,843	4	99,698
U.S. government agencies and corporations:				
Small Business Administration originator				
fees certificates	84,933	-	16,283	68,650
Other agencies	277,001	1,942	1,078	277,865
States and political subdivisions	66,590	1,444	47	67,987
Mortgage- and other asset-backed securities	179,389	1,248	401	180,236
	<u>705,772</u>	<u>6,477</u>	<u>17,813</u>	<u>694,436</u>
Equity securities:				
Mutual funds:				
Accessor Funds, Inc.	116,566	1,865	10	118,421
Federal Home Loan Bank stock	100,579	-	-	100,579
Other stock	36,804	3,817	-	40,621
	<u>\$ 959,721</u>	<u>12,159</u>	<u>17,823</u>	<u>954,057</u>

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The amortized cost and estimated market value of investment securities as of December 31, 1999, by contractual maturity, excluding equity securities, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (*in thousands*):

	Held to Maturity		Available for Sale	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Due in one year or less	\$ 557,604	556,200	116,892	116,560
Due after one year through five years	1,989,885	1,957,853	146,134	143,387
Due after five years through ten years	423,039	420,722	75,091	71,331
Due after ten years	359,916	355,733	54,699	51,406
	<u>\$ 3,330,444</u>	<u>3,290,508</u>	<u>392,816</u>	<u>382,684</u>

Gross gains of \$2.4 million, \$9.4 million, and \$9.1 million and gross losses of \$5.4 million, \$5.3 million, and \$8.2 million were recognized on sales and write-downs of investment securities for the years ended December 31, 1999, 1998, and 1997, respectively.

Included in other noninterest income for 1999 is \$42.6 million of net gains from securities held by the Company's venture capital subsidiary, Wasatch Venture Corporation. Consolidated net income for 1999 includes approximately \$22.9 from Wasatch Venture Corporation's operations for the year.

As of December 31, 1999 and 1998, securities with an amortized cost of \$1,730 million and \$1,233 million, respectively, were pledged to secure public and trust deposits, advances, and for other purposes as required by law.

(4) Loans and Allowance for Loan Losses

Loans are summarized as follows (*in thousands*):

	1999	1998
Loans held for sale	\$ 204,800	232,253
Commercial, financial, and agricultural	3,036,229	2,844,046
Real estate		
Construction	1,722,295	960,236
Other	6,902,855	6,332,798
Consumer	597,375	571,097
Lease financing	274,732	214,124
Foreign	52,697	44,368
Other receivables	62,142	70,623
	<u>\$ 12,853,125</u>	<u>11,269,545</u>

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As of December 31, 1999 and 1998, loans with a carrying value of \$1,140 million and \$63 million, respectively, were pledged as security for Federal Home Loan Bank advances.

During 1999, 1998, and 1997, sales of loans held for sale totaled \$879 million, \$1,238 million, and \$733 million, respectively. Consumer and other loan securitizations totaled \$982 million in 1999, \$884 million in 1998, and \$951 million in 1997, and relate primarily to loans sold under revolving securitization structures. Gain on the sales, excluding servicing, of both loans held for sale and loan securitizations amounted to \$24.2 million in 1999, \$36.2 million in 1998, and \$28.3 million in 1997.

The allowance for loan losses is summarized as follows (*in thousands*):

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Balance at beginning of year	\$ 212,557	88,622	76,963
Allowance for loan losses of companies acquired	2,623	125,691	14,316
Additions:			
Provision for loan losses	17,956	14,034	5,930
Recoveries	16,544	9,416	5,971
Deductions:			
Loan charge-offs	<u>(45,566)</u>	<u>(25,206)</u>	<u>(14,558)</u>
Balance at end of year	<u>\$ 204,114</u>	<u>212,557</u>	<u>88,622</u>

At December 31, 1999, 1998, and 1997, the allowance for loan losses includes an allocation of \$23 million, \$20 million, and \$9 million, respectively, related to commitments to extend credit and standby letters of credit.

The Company's total recorded investment in impaired loans amounted to \$57 million and \$41 million as of December 31, 1999 and 1998, respectively. Included in the allowance for loan losses as of December 31, 1999 and 1998, is a required allowance of \$16 million and \$5 million, respectively, on \$22 million and \$11 million, respectively, of the recorded investment in impaired loans. Contractual interest due and interest foregone on impaired loans totaled \$5.3 million and \$3.2 million, respectively, for 1999, \$3.8 million and \$2.1 million, respectively, for 1998, and \$554 thousand and \$244 thousand, respectively, for 1997. The average recorded investment in impaired loans amounted to \$27 million in 1999, \$18 million in 1998, and \$7 million in 1997.

(5) Concentrations of Credit Risk

Credit risk represents the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. Concentrations of credit risk (whether on- or off-balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Company does not have significant exposure to any individual customer or counterparty.

Most of the Company's business activity is with customers located within the states of Utah, Idaho, California, Colorado, Arizona, Nevada, and Washington. The commercial loan portfolio is well diversified, consisting of 11 major industry classification groupings. As of December 31, 1999, the larger concentrations

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of risk in the commercial loan and leasing portfolio are represented by the real estate, construction, business services and transportation industry groupings. The Company has minimal credit exposure from lending transactions with highly leveraged entities. The majority of foreign loans are supported by domestic real estate or letters of credit.

(6) Premises and Equipment

The following table presents comparative data for premises and equipment (*in thousands*):

	<u>1999</u>	<u>1998</u>
Land	\$ 50,209	47,931
Buildings	150,399	134,618
Furniture and equipment	263,270	224,160
Leasehold improvements	<u>64,887</u>	<u>55,800</u>
Total	528,765	462,509
Less accumulated depreciation and amortization	<u>241,317</u>	<u>212,613</u>
Net book value	<u>\$ 287,448</u>	<u>249,896</u>

(7) Mortgage Servicing Rights

Mortgage servicing rights, included in other assets in the accompanying balance sheets, are summarized as follows (*in thousands*):

	<u>1999</u>	<u>1998</u>
Balance at beginning of year	\$ 15,314	10,595
Additions	2,223	9,231
Obtained through acquisition	-	1,595
Amortization	(1,054)	(5,484)
Sales	<u>(14,619)</u>	<u>(623)</u>
Balance at end of year	<u>\$ 1,864</u>	<u>15,314</u>

At December 31, 1999 and 1998, the aggregate fair value of mortgage servicing rights was \$2.5 million and \$20.4 million, respectively. Fair values are determined by discounted anticipated future net cash flows from mortgage servicing activities considering market consensus loan prepayment predictions, interest rates, servicing costs, and other economic factors.

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Notes to Consolidated Financial Statements

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(8) Deposits

At December 31, 1999, the scheduled maturities of all time deposits are as follows (*in thousands*):

2000	\$ 2,452,435
2001	279,733
2002	82,069
2003	65,653
2004 and thereafter	<u>35,386</u>
	<u>\$ 2,915,276</u>

The aggregate amount of time deposits with a denomination of \$100,000 or more was \$1,079 million and \$1,637 million at December 31, 1999 and 1998, respectively. At December 31, 1999, the contractual maturities of these deposits were as follows: \$447 million in 3 months or less, \$229 million over 3 months through 6 months, \$334 million over 6 months through 12 months and \$69 million over 12 months.

Deposit overdrafts that have been reclassified as loan balances were \$21 million and \$23 million at December 31, 1999 and 1998, respectively.

(9) Short-Term Borrowings

Short-term borrowings generally mature in less than 30 days. The following table shows selected information for these borrowings (*in thousands*):

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Federal funds purchased:			
Average amount outstanding	\$ 717,085	401,412	297,399
Weighted average rate	4.91%	4.61%	5.46%
Highest month-end balance	866,716	594,503	487,098
Year-end balance	825,997	337,283	294,129
Weighted average rate on outstandings at year-end	4.69%	4.58%	5.83%
Security repurchase agreements:			
Average amount outstanding	\$ 1,651,514	1,507,196	1,907,410
Weighted average rate	4.44%	4.77%	5.17%
Highest month-end balance	2,462,928	1,771,702	2,277,067
Year-end balance	1,366,653	992,671	1,067,060
Weighted average rate on outstandings at year-end	4.53%	4.40%	5.70%

The Company participates in overnight and term security repurchase agreements. Most of the overnight agreements are performed with sweep accounts in conjunction with a master repurchase agreement. In this case, securities under the Company's control are pledged for and interest is paid on the collected balance of the customers' accounts. For term repurchase agreements, securities are transferred to the applicable counterparty.

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(10) Federal Home Loan Bank Advances and Other Borrowings

The following table presents comparative data for FHLB advances and other borrowings over one year (in thousands):

	<u>1999</u>	<u>1998</u>
FHLB advances payable by subsidiaries, 4.97%-7.30%	\$ 100,622	44,696
Notes payable, 5.60%-8.32%	12,000	12,100
	<u>\$ 112,622</u>	<u>56,796</u>

Federal Home Loan Bank advances as of December 31, 1999 are borrowed by Zions First National Bank (ZFNB) and Vectra Bank Colorado, N.A. (Vectra), wholly owned subsidiaries, under their lines of credit with the Federal Home Loan Bank of Seattle and Topeka, respectively. The lines of credit are secured under a blanket pledge whereby ZFNB and Vectra maintain unencumbered collateral with carrying amount, which has been adjusted using a pledge requirement percentage based upon the types of collateral pledged, equal to at least 100 percent of outstanding advances.

Interest expense on FHLB advances and other borrowings over one year was \$4.8 million, \$6.6 million, and \$8.2 million for the years ended December 31, 1999, 1998, and 1997, respectively.

Maturities of Federal Home Loan Bank advances and other borrowings over one year are as follows (in thousands):

2000	\$ 70,342
2001	3,813
2002	3,005
2003	3,364
2004	2,632
Thereafter	<u>29,466</u>
	<u>\$ 112,622</u>

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(11) Long-Term Debt

Long-term debt is summarized as follows *(in thousands)*:

	<u>1999</u>	<u>1998</u>
Guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures	\$ 223,000	223,000
Subordinated notes:		
Floating rate subordinated notes, maturity 2005-2008	177,000	177,000
8.625%-9.00% subordinated notes, maturity in 1998-2002	50,100	50,150
Capital leases and other notes payable	<u>3,371</u>	<u>3,585</u>
	<u>\$ 453,471</u>	<u>453,735</u>

The guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures include \$200 million of 8.536 percent debentures issued by Zions Institutional Capital Trust A (ZICTA), \$5.5 million of 10.25 percent debentures issued by GB Capital Trust (GBCT), and \$17.5 million of 9.50 percent debentures issued by VBC Capital I Trust (VBCCIT).

The ZICTA debentures are direct and unsecured obligations of ZFNB and are subordinate to the claims of depositors and general creditors. The Company has irrevocably and unconditionally guaranteed all of ZFNB's obligations under the debentures. The GBCT and VBCCIT debentures are direct and unsecured obligations of the Company through the acquisition of GB Bancorporation and Vectra Banking Corporation, and are subordinate to other indebtedness and general creditors of the Company. ZICTA, GBCT, and VBCCIT debentures have the right, with the approval of banking regulators, to early redemption in 2006, 2007, and 2002, respectively. ZICTA and GBCT debentures require semiannual interest payments and mature on December 15, 2026 and January 15, 2027, respectively. VBCCIT debentures require quarterly interest payments and mature on April 30, 2027.

Floating-rate subordinated notes consist of \$67 million callable in 2000 and \$110 million callable in 2003. These notes require quarterly interest payments. Subordinated notes also include \$50.1 million of 8.625 percent notes which are not redeemable prior to maturity and require semiannual interest payments. All subordinated notes are unsecured.

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Interest expense on long-term debt was \$35.1 million, \$29.1 million, and \$22.4 million for the years ended December 31, 1999, 1998, and 1997, respectively.

Maturities and sinking fund requirements on long-term debt at December 31, 1999 for each of the succeeding five years are as follows (*in thousands*):

	Consoli- dated	Parent Only
2000	\$ 590	100
2001	456	-
2002	50,481	50,000
2003	516	-
2004	522	-
Thereafter	400,906	177,000
	<u>\$ 453,471</u>	<u>227,100</u>

(12) Commitments and Contingent Liabilities

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers, to reduce its own exposure to fluctuations in interest rates, and to make a market in U.S. government, agency, and municipal securities. These financial instruments involve, to varying degrees, elements of credit, liquidity, and interest rate risk in excess of the amount recognized in the balance sheets.

Contractual amounts of the off-balance sheet financial instruments used to meet the financing needs of the Company's customers are as follows (*in thousands*):

	1999	1998
Commitments to extend credit	\$ 5,810,745	4,765,945
Standby letters of credit:		
Performance	79,184	219,820
Financial	110,676	104,530
Commercial letters of credit	17,689	25,294

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing properties.

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Notes to Consolidated Financial Statements

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Establishing commitments to extend credit gives rise to credit risk. As of December 31, 1999, a significant portion of the Company's commitments is expected to expire without being drawn upon; commitments totaling \$3.5 million expire in 2000. As a result, the Company's actual future credit exposure or liquidity requirements will be lower than the contractual amounts of the commitments. The Company uses the same credit policies and procedures in making commitments to extend credit and conditional obligations as it does for on-balance sheet instruments. These policies and procedures include credit approvals, limits, and monitoring.

Standby and commercial letters of credit are conditional commitments issued by the Company generally to guarantee the performance of a customer to a third party. The guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Standby letters of credit include commitments in the amount of \$183.3 million expiring in 2000 and \$6.6 million expiring thereafter through 2007. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds marketable securities and cash equivalents as collateral supporting those commitments for which collateral is deemed necessary.

Notional values of interest rate contracts are summarized as follows (*in thousands*):

	<u>1999</u>	<u>1998</u>
Caps and floors - written	\$ 875,634	707,137
Swaps	711,228	1,364,584
Forwards	14,885	133,204

The Company enters into interest rate caps and floors, exchange contracts (swaps), and forward agreements as part of its overall asset and liability duration and interest rate risk management strategy. These transactions enable the Company to manage asset and liability durations, and transfer, modify, or reduce its interest rate risk. With the exception of interest rate caps and floors, these instruments are used to hedge asset and liability portfolios and, therefore, are not marked to market. The notional amounts of the contracts are used to express volume, but the amounts potentially subject to credit risk are much smaller. Exposure to credit risk arises from the possibility of nonperformance by counterparties to the interest rate contracts. The Company controls this credit risk (except futures contracts and interest rate cap and floor contracts written, for which credit risk is de minimus) through credit approvals, limits, and monitoring procedures. As the Company generally enters into transactions only with high-quality counterparties, no losses associated with counterparty nonperformance on interest rate contracts have occurred. Nevertheless, the related credit risk is considered and provided for in the allowance for loan losses.

Interest rate caps and floors obligate one of the parties to the contract to make payments to the other if an interest rate index exceeds a specified upper "capped" level or if the index falls below a specified "floor" level. The interest rate caps and floors to which the Company is a party at December 31, 1999, have remaining terms of three to twenty-three years.

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Interest rate swaps generally involve the exchange of fixed and variable rate interest payment obligations based on an underlying notional value, without the exchange of the notional value. Entering into interest rate swap agreements involves not only the risk of dealing with counterparties and their ability to meet the terms of the contract, but also the interest rate risk associated with unmatched positions. Swaps to which the Company is a party at December 31, 1999, have remaining terms ranging from one to six years.

Forwards are contracts for the delayed delivery of financial instruments in which the seller agrees to deliver on a specified future date, a specified instrument, at a specified price or yield. As of December 31, 1999, the Company's forward contracts have remaining terms ranging from one to four months.

As a market maker in U.S. government, agency, and municipal securities, the Company enters into agreements to purchase and sell such securities. As of December 31, 1999 and 1998, the Company had outstanding commitments to purchase securities of \$240 million and \$533 million, respectively, and outstanding commitments to sell securities of \$243 million and \$529 million, respectively. These agreements at December 31, 1999, have remaining terms of one month or less.

The contract or notional amount of financial instruments indicates a level of activity associated with a particular class of financial instrument and is not a reflection of the actual level of risk. As of December 31, 1999 and 1998, the regulatory risk-weighted values assigned to all off-balance sheet financial instruments described herein totaled \$1,389 million and \$876 million, respectively.

The Company has a total of \$50 million available in lines of credit from two separate institutions. At December 31, 1999, the Company had drawn \$25 million on these lines, with interest rates ranging from 5.17 percent to 6.64 percent. There were no compensating balance arrangements on either of these lines of credit.

At December 31, 1999, the Company was required to maintain a cash balance of \$38 million with the Federal Reserve Banks to meet minimum balance requirements in accordance with Federal Reserve Board regulations.

The Company is a defendant in various legal proceedings arising in the normal course of business. The Company does not believe that the outcome of any such proceedings will have a material adverse effect on its consolidated financial position, operations, or liquidity.

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The Company has commitments for leasing premises and equipment under the terms of noncancelable capital and operating leases expiring from 2000 to 2067. Premises leases under capital leases were recorded at \$15 million, net of \$13 million accumulated amortization at December 31, 1999. Amortization charges applicable to premises leased under capital leases is included in depreciation expense. Future aggregate minimum rental payments under existing noncancelable leases at December 31, 1999 are as follows (*in thousands*):

	<u>Capital Leases</u>	<u>Operating Leases</u>
2000	\$ 719	20,753
2001	671	18,491
2002	671	16,917
2003	671	15,510
2004	671	14,262
Thereafter	<u>3,701</u>	<u>62,379</u>
	7,104	148,312
Amounts representing interest	<u>(3,988)</u>	<u>-</u>
Present value of net minimum lease payments	<u>\$ 3,116</u>	<u>148,312</u>

Future aggregate minimum rental payments have been reduced by noncancelable subleases as follows: 2000, \$1.0 million; 2001, \$739 thousand; 2002, \$481 thousand; 2003, \$307 thousand; 2004, \$269 thousand; and thereafter \$5.8 million. Aggregate rental expense on operating leases amounted to \$40.3 million, \$33.3 million, and \$18.3 million for the years ended December 31, 1999, 1998, and 1997, respectively.

(13) Stock Options

The Company adopted a qualified stock option plan in 1981, under which stock options may be granted to key employees; and a nonqualified plan under which options may be granted to nonemployee directors. Under the qualified plan and nonqualified plan, respectively, 3,244,000 and 400,000 shares of common stock were reserved.

No compensation expense was recorded for the qualified and nonqualified option plans, as the exercise price was equal to the quoted market price of the stock at the time of grant. Options granted are generally exercisable in increments from one to four years after the date of grant and expire six years after the date of grant. Under the nonqualified plan, options expire five to ten years from the date of grant. At December 31, 1999, there were 86,573 and 259,000 additional shares available for grant under the qualified and nonqualified plan, respectively.

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During 1998, the Company adopted a broad-based employee stock option plan in substitution of an employee profit-sharing plan, which assets were comprised of Company common stock. Substantially all participants of the employee profit-sharing plan are eligible to participate in the employee stock option plan. The Company bases participation in the employee stock option plan upon employment for a full year prior to the option grant date with service of 20 hours a week or more. Stock options will be granted to eligible employees based on an internal job grade structure. All options vest at a rate of one third each year with expiration at four years after grant date. At December 31, 1999, there were 1,500,000 options authorized with 399,763 options outstanding. The plan is noncompensatory and results in no expense to the Company, as the exercise price of the options is equal to the quoted market price of the stock at the option grant date.

The per share weighted-average fair value of stock options granted during 1999, 1998, and 1997 was \$28.01, \$17.82, and \$10.56, respectively, on the date of grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used in 1999, 1998, and 1997: expected dividend yield ranging from 1.4% to 1.8%; expected volatility ranging from 22.2% to 39.3%; risk-free interest rates ranging from 5.2% to 6.5% and expected life ranging from 1 to 5.5 years.

Had the Company determined compensation cost based on the fair value at the grant date for its stock options under Statement No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Net income (<i>in thousands</i>):			
As reported	\$ 194,064	143,353	131,403
Pro forma	185,136	138,549	130,163
Earnings per share:			
As reported:			
Basic	2.29	1.77	1.95
Diluted	2.26	1.75	1.92
Pro forma:			
Basic	2.19	1.71	1.93
Diluted	2.16	1.69	1.91

Pro forma amounts reflect only stock-based compensation grants made after 1994. The full impact of calculating compensation cost for stock options under Statement No. 123 is not reflected in the pro forma amounts presented above because compensation cost is reflected over the options' vesting period, and compensation cost of options granted prior to January 1, 1995 is not considered.

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Notes to Consolidated Financial Statements

December 31, 1999 and 1998

The following table is a summary of the Company's stock option activity and related information for the three years ended December 31, 1999:

	Number of Shares	Weighted Average Exercise Price
Balance at December 31, 1996	1,532,373	10.35
Acquired	184,991	12.54
Granted	581,182	28.87
Exercised	(373,656)	8.59
Forfeited	(47,767)	13.25
Balance at December 31, 1997	1,877,123	16.57
Acquired	430,998	11.35
Granted	1,343,612	45.62
Exercised	(659,168)	11.38
Forfeited	(25,964)	32.82
Balance at December 31, 1998	2,966,601	29.98
Acquired	64,652	27.26
Granted	1,172,542	65.29
Exercised	(625,537)	20.06
Forfeited	(232,567)	42.32
Balance at December 31, 1999	<u>3,345,691</u>	43.30
Outstanding options exercisable as of:		
December 31, 1999	1,222,187	26.62
December 31, 1998	1,116,087	14.90
December 31, 1997	671,333	10.04

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December 31, 1999 and 1998

Selected information on stock options as of December 31, 1999 follows:

Outstanding Options				Exercisable Options	
Exercise Price Range	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Number of Shares	Weighted-Average Exercise Price
\$2.38 to \$3.81	32,943	3.29	2.83 years	29,343	3.40
\$4.06 to \$6.19	24,893	4.93	7.83	24,893	4.93
\$6.42 to \$9.63	65,998	8.25	4.74	65,998	8.25
\$9.94 to \$14.78	287,486	12.05	3.55	274,912	11.99
\$16.79 to \$23.08	373,832	19.14	4.68	212,659	18.90
\$25.68 to \$38.58	452,225	30.32	3.61	239,909	29.76
\$39.13 to \$56.03	1,196,135	47.58	4.83	363,786	45.59
\$60.31 to \$69.13	912,179	68.61	5.14	10,687	67.83
	<u>3,345,691</u>	<u>43.30</u>	<u>4.96 years</u>	<u>1,222,187</u>	<u>26.62</u>

(14) Net Income Per Common Share

Basic and diluted net income per common share, based on the weighted-average outstanding shares, are summarized as follows (in thousands, except per share amounts):

	1999	1998	1997
Basic:			
Net income	\$ 194,064	143,353	131,403
Less preferred dividends	34	46	41
Net income applicable to common stock	<u>\$ 194,030</u>	<u>143,307</u>	<u>131,362</u>
Average common shares outstanding	<u>84,613</u>	<u>80,788</u>	<u>67,303</u>
Net income per common share - basic	<u>\$ 2.29</u>	<u>1.77</u>	<u>1.95</u>
Diluted:			
Net income applicable to common stock	<u>\$ 194,030</u>	<u>143,307</u>	<u>131,362</u>
Average common shares outstanding	<u>84,613</u>	<u>80,788</u>	<u>67,303</u>
Stock option adjustment	<u>1,082</u>	<u>1,130</u>	<u>955</u>
Average common shares outstanding - diluted	<u>85,695</u>	<u>81,918</u>	<u>68,258</u>
Net income per common share - diluted	<u>\$ 2.26</u>	<u>1.75</u>	<u>1.92</u>

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(15) Shareholder Rights Protection Plan

The Company has in place a Shareholder Rights Protection Plan. The Shareholder Rights Protection Plan contains provisions intended to protect shareholders in the event of unsolicited offers or attempts to acquire the Company, including offers that do not treat all shareholders equally, acquisitions in the open market of shares constituting control without offering fair value to all shareholders, and other coercive or unfair takeover tactics that could impair the Board of Directors' ability to represent shareholders' interests fully. The Shareholder Rights Protection Plan provides that attached to each share of common stock is one right (a "Right") to purchase one one-hundredth of a share of participating preferred stock for an exercise price of \$90, subject to adjustment.

The Rights have certain anti-takeover effects. The Rights may cause substantial dilution to a person that attempts to acquire the Company without the approval of the Board of Directors. The Rights, however, should not affect offers for all outstanding shares of common stock at a fair price and, otherwise, in the best interests of the Company and its shareholders as determined by the Board of Directors. The Board of Directors may, at its option, redeem all, but not fewer than all, of the then outstanding Rights at any time until the 10th business day following a public announcement that a person or a group had acquired beneficial ownership of 10 percent or more of the Company's outstanding common stock or total voting power.

(16) Income Taxes

Income taxes are summarized as follows (*in thousands*):

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Federal:			
Current	\$ 46,485	64,855	61,746
Deferred	43,648	(4,978)	(1,610)
State	<u>19,365</u>	<u>9,755</u>	<u>7,531</u>
	<u>\$ 109,498</u>	<u>69,632</u>	<u>67,667</u>

A reconciliation between income tax expense computed using the statutory federal income tax rate of 35 percent and actual income tax expense is as follows (*in thousands*):

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Income tax expense at statutory federal rate	\$ 107,979	74,694	69,675
State income taxes, net	12,587	6,341	4,895
Nondeductible expenses	11,232	8,643	2,738
Nontaxable interest	(13,893)	(9,125)	(6,526)
Tax credits and other taxes	(1,819)	(1,877)	(1,826)
Corporate reorganization	(6,416)	(6,117)	-
Decrease in valuation allowance	-	(1,992)	(761)
Other items	<u>(172)</u>	<u>(935)</u>	<u>(528)</u>
Income tax expense	<u>\$ 109,498</u>	<u>69,632</u>	<u>67,667</u>

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 1999 and 1998, are presented below (*in thousands*):

	<u>1999</u>	<u>1998</u>
Gross deferred tax assets:		
Book loan loss deduction in excess of tax	\$ 78,979	78,299
Postretirement benefits	722	9,258
Deferred compensation	8,996	8,577
Deferred loan fees	2,498	5,059
Deferred agreements	2,650	3,046
Capital leases	1,648	3,268
Other real estate owned	4,584	4,890
Accrued severance costs	1,685	3,361
Other	23,452	18,673
Total deferred tax assets	<u>125,214</u>	<u>134,431</u>
Gross deferred tax liabilities:		
Core deposits and purchase accounting	(23,281)	(23,719)
Premises and equipment, due to differences in depreciation	(4,566)	(7,667)
FHLB stock dividends	(21,320)	(18,100)
Leasing operations	(33,416)	(28,267)
Security investments	(19,199)	-
Prepaid pension reserves	(2,016)	(1,405)
Mortgage servicing	(745)	(2,176)
Other	(6,698)	(6,529)
Total deferred tax liabilities	<u>(111,241)</u>	<u>(87,863)</u>
Statement No. 115 market equity adjustment	<u>2,628</u>	<u>2,216</u>
Net deferred tax assets	<u>\$ 16,601</u>	<u>48,784</u>

The Company has determined that it is not required to establish a valuation reserve for the net deferred tax assets since it is "more likely than not" that such net assets will be principally realized through future taxable income and tax planning strategies. The Company's conclusion that it is "more likely than not" that the net deferred tax assets will be realized is based on history of growth in earnings and the prospects for continued growth and profitability.

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(17) Regulatory Matters

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 1999, that the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 1999, the Company's capital ratios significantly exceeded the minimum capital levels and is considered well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events that management believes have changed the Company's category.

The actual capital amounts and ratios of the Company and significant banking subsidiaries are as follows (*in thousands*):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 1999:						
Total capital (to risk-weighted assets)						
The Company	\$ 1,646,581	11.29 %	\$ 1,167,056	8.00 %	\$ 1,458,820	10.00 %
Zions First National Bank	692,026	14.73	375,744	8.00	469,680	10.00
California Bank & Trust	527,964	10.32	409,093	8.00	511,367	10.00
Tier I capital (to risk-weighted assets)						
The Company	1,260,090	8.64	583,528	4.00	875,292	6.00
Zions First National Bank	432,845	9.22	187,872	4.00	281,808	6.00
California Bank & Trust	353,777	6.92	204,547	4.00	306,820	6.00
Tier I capital (to average assets)						
The Company	1,260,090	6.16	613,398	3.00	1,022,331	5.00
Zions First National Bank	432,845	5.61	231,406	3.00	385,676	5.00
California Bank & Trust	353,777	5.68	186,973	3.00	311,622	5.00

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	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 1998:						
Total capital (to risk-weighted assets)						
The Company	\$ 1,412,508	11.34 %	\$ 996,180	8.00 %	\$ 1,245,225	10.00 %
Zions First National Bank	619,784	15.15	327,213	8.00	409,016	10.00
California Bank & Trust	461,981	10.43	354,427	8.00	443,034	10.00
Tier I capital (to risk-weighted assets)						
The Company	1,046,600	8.40	498,090	4.00	747,135	6.00
Zions First National Bank	369,900	9.04	163,607	4.00	245,410	6.00
California Bank & Trust	297,294	6.71	177,213	4.00	265,820	6.00
Tier I capital (to average assets)						
The Company	1,046,600	5.91	531,363	3.00	885,605	5.00
Zions First National Bank	369,900	5.56	199,729	3.00	332,881	5.00
California Bank & Trust	297,294	5.14	173,527	3.00	289,212	5.00

Dividends declared by the Company's national banking subsidiaries in any calendar year may not, without the approval of the appropriate federal regulator, exceed their net earnings for that year combined with their net earnings less dividends paid for the preceding two years. At December 31, 1999, the Company's subsidiaries had approximately \$55.5 million available for the payment of dividends under the foregoing restrictions.

(18) Retirement Plans

The Company has a noncontributory defined benefit pension plan for eligible employees. Plan benefits are based on years of service and employees' compensation levels. Benefits vest under the plan upon completion of five years of service. Plan assets consist principally of corporate equity and debt securities and cash investments.

Effective January 1, 1997, the plan was amended such that plan benefits are now defined as a lump-sum cash value or an annuity at age 65. The 1997 income from curtailment resulted from the merger of Grossmont Bank plan participants into the Company's plan at December 31, 1997.

On January 1, 1998, the Company adopted the provisions of Statement of Financial Accounting Standards (Statement) No. 132. Statement No. 132 revises employer's disclosures about pension and other postretirement benefit plans. Statement No. 132 does not change the method of accounting for such plans.

ZIONS BANCORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

The following table presents the change in the plan's benefit obligation for the years ended December 31, 1999 and 1998, as follows (*in thousands*):

	<u>1999</u>	<u>1998</u>
Benefit obligation at beginning of year	\$ 108,973	66,267
Service cost	8,294	5,587
Interest cost	7,397	5,192
Acquisitions	-	41,626
Actuarial gain	(7,379)	(5,536)
Benefits paid	(10,895)	(4,163)
Benefit obligation at end of year	<u>\$ 106,390</u>	<u>108,973</u>

Plan assets included 88,558 shares of Company common stock as of December 31, 1999 and 86,760 shares as of December 31, 1998. The following table presents the change in plan assets for the years ended December 31, 1999 and 1998, as follows (*in thousands*):

	<u>1999</u>	<u>1998</u>
Fair value of plan assets at beginning of year	\$ 107,245	72,966
Actual return on plan assets	25,595	10,534
Acquisitions	-	27,831
Employer contributions	17,044	77
Benefits paid	(10,895)	(4,163)
Fair value of plan assets at end of year	<u>\$ 138,989</u>	<u>107,245</u>

The following table presents the plan's funded status reconciled with amounts recognized in the Company's consolidated balance sheets at December 31, 1999 and 1998, as follows (*in thousands*):

	<u>1999</u>	<u>1998</u>
Funded status	\$ 32,599	(1,728)
Unrecognized net actuarial (gain) loss	(21,302)	2,372
Unrecognized net transition asset	-	(431)
Unrecognized prior service cost	(2,646)	(3,031)
Net prepaid cost (accrued liability)	<u>\$ 8,651</u>	<u>(2,818)</u>

The ending net accrued liability and net prepaid benefit cost at December 31, 1999 and 1998, respectively, is fully recognized in the Company's respective consolidated balance sheets.

ZIONS BANCORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

Net periodic benefit cost recognized for the years ended December 31, 1999, 1998, and 1997, includes the following components (*in thousands*):

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Service cost	\$ 8,294	5,587	3,042
Interest cost	7,397	5,192	4,066
Expected return on plan assets	(9,300)	(6,851)	(5,076)
Amortization of prior service cost	(385)	(385)	(384)
Amortization of transitional asset	(431)	(625)	(625)
Recognized actuarial loss	-	39	260
Net periodic benefit cost recognized	<u>\$ 5,575</u>	<u>2,957</u>	<u>1,283</u>

The weighted average discount rate used in determining the pension benefit obligation was 8.00 percent and 6.75 percent in 1999 and 1998, respectively. The rate of compensation increase and the expected long-term rate of return were 5.00 percent and 9.00 percent, respectively, for both 1999 and 1998. Any net transition asset or obligation and any unrecognized prior service cost are being amortized on a straight-line basis. Unrecognized gains and losses are amortized using the minimum recognition method described in paragraph 32 of Statement of Financial Accounting Standards No. 87.

The Company also sponsors three unfunded, nonqualified supplemental executive retirement plans, which restore pension benefits limited by federal tax law. At December 31, 1999 and 1998, the Company's liability included in accrued expenses totaled \$5.7 million and \$5.4 million, respectively.

In addition to the Company's defined benefit pension plan, the Company sponsors a defined benefit health care plan that provides postretirement medical benefits to full-time employees hired before January 1, 1993, who meet minimum age and service requirements. The plan is contributory, with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. Plan coverage is provided by self-funding or health maintenance organizations (HMOs) options. Reductions in the Company's obligations to provide benefits resulting from cost sharing changes have been applied to reduce the plan's unrecognized transition obligation. During 1999, the Company adopted several plan changes that reduced the liability for retiree medical coverage. The Company's retiree premium contribution rate is frozen at 50 percent of 1996 dollar amounts until 2003, when all retiree medical coverage will be fully paid by retirees.

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December 31, 1999 and 1998

The following table presents the change in the plan's benefit obligation for the years ended December 31, 1999 and 1998, as follows (*in thousands*):

	<u>1999</u>	<u>1998</u>
Benefit obligation at beginning of year	\$ 12,306	3,817
Service cost	91	114
Interest cost	852	230
Acquisitions	-	8,833
Actuarial gain	(385)	(389)
Benefits paid	(149)	(299)
Curtailments	(3,594)	-
Benefit obligation at end of year	<u>\$ 9,121</u>	<u>12,306</u>

The following table presents the plan's funded status reconciled with amounts recognized in the Company's consolidated balance sheets at December 31, 1999 and 1998, as follows (*in thousands*):

	<u>1999</u>	<u>1998</u>
Benefit obligation at end of year	\$ 9,121	12,306
Unrecognized net actuarial gain	(1,889)	(1,821)
Accrued benefit cost	<u>\$ 11,010</u>	<u>14,127</u>

Net periodic benefit cost recognized for the years ended December 31, 1999, 1998, and 1997, includes the following components (*in thousands*):

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Service cost	\$ 91	114	111
Interest cost	852	230	270
Recognized net gain	(317)	(515)	(487)
Net periodic benefit cost (credit)	626	(171)	(106)
Recognized curtailment gain	(3,594)	-	-
Recognized liability due to acquisitions	-	8,833	-
Net periodic benefit cost (credit) after recognition of extraordinary items	<u>\$ (2,968)</u>	<u>8,662</u>	<u>(106)</u>

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8.0 percent at December 31, 1999 and 7.0 percent at December 31, 1998.

The actuarial assumed health care cost trend rate is 6.5 percent for 2000, decreasing to an ultimate level of 5 percent for the years 2003 and thereafter. The effect of a one-percentage point increase and decrease in the assumed health care cost trend rate at December 31, 1999 would be a \$2,000 increase and a \$2,000 decrease, respectively, to the aggregate service and interest cost components of the net periodic postretirement health care benefit cost and a \$25,000 increase and a \$25,000 decrease, respectively, to the accumulated postretirement benefit obligation for health care benefits.

ZIONS BANCORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

The Company has an Employee Stock Savings Plan and an Employee Investment Savings Plan (PAYSHELTER). Under PAYSHELTER, employees select from a nontax-deferred or tax-deferred plan and several investment alternatives. Employees can contribute from 1 to 15 percent of compensation, which is matched up to 50 percent by the Company for contributions up to 5 percent and 25 percent for contributions greater than 5 percent up to 10 percent. The Company's contributions to the plans amounted to \$5.3 million, \$3.7 million, and \$2.4 million for the years ended December 31, 1999, 1998, and 1997, respectively.

(19) Fair Value of Financial Instruments

Carrying value and estimated fair value of principal financial instruments are summarized as follows (in thousands):

	December 31, 1999		December 31, 1998	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and due from banks	\$ 898,300	898,300	922,654	922,654
Money market investments	525,169	525,169	659,705	659,705
Investment securities	4,437,219	4,397,283	3,996,668	4,015,074
Loans, net	12,586,531	12,627,743	11,006,928	11,248,428
Total financial assets	\$ 18,447,219	18,448,495	16,585,955	16,845,861
Financial liabilities:				
Demand, savings, and money market deposits	\$ 10,936,883	10,936,883	9,939,491	9,939,637
Time deposits	2,915,276	2,898,930	4,077,175	4,107,952
Foreign deposits	209,780	209,726	204,244	205,812
Securities sold, not yet purchased	237,020	237,020	29,702	29,702
Federal funds purchased and security repurchase agreements	2,192,650	2,192,650	1,329,954	1,329,954
FHLB advances and other borrowings	1,389,327	1,379,127	206,763	209,797
Long-term debt	453,471	446,056	453,735	460,104
Total financial liabilities	\$ 18,334,407	18,300,392	16,241,064	16,282,958
Off-balance sheet instruments:				
Caps and floors:				
Written	\$ (7,671)	(7,671)	(3,123)	(3,123)
Swaps	-	(9,641)	-	7,103
Forwards	-	-	-	(331)
Total off-balance sheet instruments	\$ (7,671)	(17,312)	(3,123)	3,649

ZIONS BANCORPORATION AND SUBSIDIARIES

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Financial Assets - The estimated fair value approximates the carrying value of cash and due from banks and money market investments. For securities, the fair value is based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or a discounted cash flow model based on established market rates. The fair value of fixed-rate loans is estimated by discounting future cash flows using the London Interbank Offered Rate (LIBOR) yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. Variable-rate loans reprice with changes in market rates. As such their carrying amounts are deemed to approximate fair value. The fair value of the allowance for loan losses of \$204 million and \$213 million at December 31, 1999 and 1998, respectively, is the present value of estimated net charge-offs.

Financial Liabilities - The estimated fair value of demand and savings deposits, securities sold but not yet purchased, and federal funds purchased and security repurchase agreements approximates the carrying value. The fair value of time and foreign deposits is estimated by discounting future cash flows using generally the LIBOR yield curve. Substantially all FHLB advances reprice with changes in market interest rates or have short terms to maturity. The carrying value of such indebtedness is deemed to approximate market value. Other borrowings are not significant. The estimated fair value of the subordinated notes is based on a quoted market price. The remaining long-term debt is not significant.

Off-Balance Sheet Financial Instruments - The fair value of the caps, floors, and swaps reflects the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date based upon pricing or valuation models applied to current market information, thereby taking into account the current unrealized gains or losses of open contracts. The carrying amounts include unamortized fees paid or received and deferred gains or losses.

The fair value of commitments to extend credit and letters of credit, based on fees currently charged for similar commitments, is not significant.

Limitations - These fair value disclosures represent management's best estimates, based on relevant market information and information about the financial instruments. However, because no markets exist for the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

Further, the calculations do not represent the underlying value of the Company. Other significant assets and liabilities, which are not considered financial assets or liabilities and for which no fair values have been estimated, include premises and equipment, goodwill and other intangibles, deferred taxes, and other liabilities.

ZIONS BANCORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

(20) Operating Segment Information

As of December 31, 1998 the Company adopted FASB Statement No. 131, *Financial Reporting for Segments of a Business Enterprise*. This statement requires that a public business enterprise report financial and descriptive information about its reportable operating segments. According to the statement, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company evaluates segment performance internally based on geography, and thus the operating segments are so defined. All segments, except for the segment defined as "other," are based on commercial banking operations. The operating segment defined as "other" includes the Parent company, smaller nonbank operating units, and eliminations of transactions between segments.

The accounting policies of the individual operating segments are the same as those of the Company described in note 1. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. Expenses for centrally provided services are allocated based on the estimated usage of those services.

ZIONS BANCORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

The following is a summary of selected operating segment information for the years ended December 31, 1999, 1998, and 1997 (*in thousands*):

	Zions First National Bank and Subsidiaries	California Bank & Trust	Vectra Bank Colorado	National Bank of Arizona	Nevada State bank and Subsidiary	The Commerce Bank of Washington	Other	Consoli- dated Company
1999:								
Net interest income	\$ 220,018	263,682	83,103	76,928	99,885	15,792	(17,919)	741,489
Provision for loan losses	9,000	-	2,586	2,400	3,660	610	(300)	17,956
Net interest income after provision for loan losses	211,018	263,682	80,517	74,528	96,225	15,182	(17,619)	723,533
Noninterest income	169,902	35,806	17,206	15,022	23,933	735	5,941	266,545
Merger expense and amortization of goodwill and core deposit intangibles	1,916	25,909	13,807	1,831	1,490	-	18,746	63,699
Other noninterest expense	208,378	182,034	76,298	42,909	91,176	7,452	9,621	617,868
Income before income taxes and minority interest	170,626	91,545	7,618	42,810	27,492	8,465	(40,045)	306,511
Income taxes	53,327	42,101	5,616	16,617	9,001	2,788	(19,952)	109,498
Minority interest	3,065	-	-	-	-	-	1,884	4,949
Net income	\$ 114,234	49,444	2,002	26,193	18,491	5,677	(21,977)	194,064
Assets	\$ 7,156,888	6,566,985	2,161,216	1,600,135	2,277,356	408,409	109,911	20,280,900
Net loans and leases	4,085,175	4,559,136	1,372,710	1,212,531	1,340,534	200,320	20,239	12,790,645
Deposits	3,809,258	5,425,928	1,490,468	1,206,366	1,882,349	289,182	(41,612)	14,061,939
Shareholders' equity	444,401	679,288	384,398	151,322	163,422	25,329	(168,322)	1,659,838
1998:								
Net interest income	\$ 222,044	112,726	73,447	70,687	90,518	13,939	(9,419)	573,942
Provision for loan losses	23,000	(18,717)	4,586	1,800	3,685	78	(400)	14,034
Net interest income after provision for loan losses	199,044	131,443	68,859	68,887	86,833	13,861	(9,019)	559,908
Noninterest income	142,654	14,284	14,844	9,312	25,298	1,702	2,103	210,197
Merger expense and amortization of goodwill and core deposit intangibles	2,717	37,363	17,076	1,867	1,490	7,702	1,554	69,769
Other noninterest expense	216,405	78,596	57,310	40,131	71,836	7,453	15,180	486,931
Income before income taxes and minority interest	122,576	29,768	9,317	36,201	38,785	408	(23,650)	213,405
Income taxes	35,477	13,360	5,745	14,013	11,835	346	(11,144)	69,632
Minority interest	-	-	-	-	-	-	420	420
Net income	\$ 87,099	16,408	3,572	22,188	26,950	62	(12,926)	143,353
Assets	\$ 6,047,071	6,183,044	2,151,029	1,451,866	2,150,095	337,351	(270,833)	18,049,623
Net loans and leases	3,509,319	4,180,999	1,216,359	1,012,038	1,133,680	154,892	12,199	11,219,486
Deposits	3,953,823	5,348,694	1,688,719	1,225,796	1,829,117	221,403	(26,642)	14,220,910
Shareholders' equity	383,350	606,195	388,506	116,262	152,530	23,159	(217,371)	1,452,631
1997:								
Net interest income	\$ 206,009	11,727	12,980	61,577	71,006	12,596	(6,291)	369,604
Provision for loan losses	-	615	(70)	2,400	2,860	300	(175)	5,930
Net interest income after provision for loan losses	206,009	11,112	13,050	59,177	68,146	12,296	(6,116)	363,674
Noninterest income	113,756	1,775	1,668	6,272	19,470	1,303	4,066	148,310
Merger expense and amortization of goodwill and core deposit intangibles	1,270	1,511	1,556	1,568	450	-	1,422	7,777
Other noninterest expense	184,772	5,300	8,928	34,168	55,116	7,059	9,794	305,137
Income before income taxes	133,723	6,076	4,234	29,713	32,050	6,540	(13,266)	199,070
Income taxes	45,273	2,756	2,046	11,896	9,819	2,082	(6,205)	67,667
Net income	\$ 88,450	3,320	2,188	17,817	22,231	4,458	(7,061)	131,403
Assets	\$ 5,899,333	976,930	501,197	1,351,876	1,838,159	298,478	(72,377)	10,793,596
Net loans and leases	2,780,986	493,936	304,270	797,620	928,980	153,765	3,315	5,462,872
Deposits	3,665,705	776,177	395,341	1,191,774	1,573,422	255,771	(8,179)	7,830,011
Shareholders' equity	426,660	184,525	97,070	105,099	140,227	23,890	(120,865)	856,606

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Notes to Consolidated Financial Statements

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(21) Quarterly Financial Information (Unaudited)

Financial information by quarter for the three years ended December 31, 1999, is as follows (in thousands, except per share amounts):

	Gross Interest Income	Net Interest Income	Non- Interest Income	Non- Interest Expense	Provision for Loan Losses	Income Before Income Taxes and Minority Interest	Net Income	Diluted Net Income Per Common Share
1999:								
First quarter	\$ 318,170	176,855	65,480	162,605	4,741	74,989	46,904	0.55
Second quarter	333,524	185,303	63,007	165,886	4,143	78,281	50,832	0.59
Third quarter	344,284	187,817	63,591	163,038	4,517	83,853	53,779	0.63
Fourth quarter	363,360	191,514	74,467	190,038	4,555	71,388	42,549	0.49
	<u>\$ 1,359,338</u>	<u>741,489</u>	<u>266,545</u>	<u>681,567</u>	<u>17,956</u>	<u>308,511</u>	<u>194,064</u>	<u>2.26</u>
1998:								
First quarter	\$ 221,870	119,546	45,855	106,406	3,645	55,350	38,086	0.49
Second quarter	234,570	130,272	50,215	126,872	3,624	49,988	34,323	0.42
Third quarter	250,809	139,681	53,071	126,298	3,130	63,324	41,007	0.49
Fourth quarter	325,599	184,445	61,056	197,123	3,635	44,743	29,937	0.35
	<u>\$ 1,032,848</u>	<u>573,944</u>	<u>210,197</u>	<u>556,699</u>	<u>14,034</u>	<u>213,405</u>	<u>143,353</u>	<u>1.75</u>

ZIONS BANCORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

(22) Parent Company Financial Information

Condensed financial information of Zions Bancorporation (parent only) follows:

ZIONS BANCORPORATION

Condensed Balance Sheets
December 31, 1999 and 1998
(In thousands)

ASSETS

	1999	1998
Cash and due from banks	\$ 3,509	158
Interest-bearing deposits	22,899	20,744
Investment securities	251,949	9,950
Loans, lease financing, and other receivables, net	15,794	14,797
Investments in subsidiaries:		
Commercial banks and bank holding company	1,795,889	1,634,346
Other	84,160	25,711
Receivables from subsidiaries:		
Commercial banks	110,000	110,000
Other	9,565	2,865
Other assets	63,092	32,801
	<u>\$ 2,356,857</u>	<u>1,851,372</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Accrued liabilities	\$ 32,486	36,731
Borrowings less than one year	413,660	111,217
Subordinated debt to subsidiary	23,773	23,773
Long-term debt	227,100	227,000
Total liabilities	<u>697,019</u>	<u>398,721</u>
Shareholders' equity:		
Common stock	888,231	796,519
Net unrealized holding losses on securities available for sale	(4,158)	(3,407)
Retained earnings	775,765	659,519
Total shareholders' equity	<u>1,659,838</u>	<u>1,452,631</u>
	<u>\$ 2,356,857</u>	<u>1,851,352</u>

Condensed Statements of Income
Years ended December 31, 1999, 1998, and 1997
(In thousands)

	1999	1998	1997
Interest income - interest and fees on loans and securities	\$ 11,846	7,066	948
Interest expense - interest on borrowed funds	32,529	17,307	6,674
Net interest loss	<u>(20,683)</u>	<u>(10,241)</u>	<u>(5,726)</u>
Other income:			
Dividends from consolidated subsidiaries:			
Commercial banks	109,868	210,890	98,234
Other	0	1,430	500
Other income	3,968	7,064	5,381
	<u>113,836</u>	<u>219,384</u>	<u>104,115</u>
Expenses:			
Salaries and employee benefits	8,659	5,504	7,768
Operating expenses	2,517	8,512	4,133
	<u>11,176</u>	<u>14,016</u>	<u>11,901</u>
Income before income tax benefit	81,977	195,127	86,488
Income tax benefit	14,471	8,304	5,678
Income before equity in undistributed income of consolidated subsidiaries	<u>96,448</u>	<u>203,431</u>	<u>92,166</u>
Equity in undistributed net income of consolidated subsidiaries:			
Commercial banks and bank holding company	103,767	(55,306)	39,588
Other	(6,151)	(4,772)	(351)
	<u>97,616</u>	<u>(60,078)</u>	<u>39,237</u>
Net income	<u>\$ 194,064</u>	<u>143,353</u>	<u>131,403</u>

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Notes to Consolidated Financial Statements

December 31, 1999 and 1998

ZIONS BANCORPORATION

Condensed Statements of Cash Flows
Years ended December 31, 1999, 1998, and 1997
(In thousands)

	1999	1998	1997
Cash flows from operating activities:			
Net income	\$ 194,064	143,353	131,403
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net income of consolidated subsidiaries	(97,616)	60,078	(39,237)
Depreciation of premises and equipment	145	160	161
Investment securities gain	(800)	-	-
Amortization of intangibles	663	644	644
Other	(14,219)	16,272	(7,526)
Net cash provided by operating activities	82,237	220,507	85,445
Cash flows from investing activities:			
Net (increase) decrease in interest-bearing deposits	(2,155)	(17,895)	679
Collection of advances to subsidiaries	9,890	8,054	1,911
Advances to subsidiaries	(16,590)	(118,261)	(4,226)
Proceeds from sale of investment in securities available for sale	20,664	-	-
Purchase of investment securities available for sale	(250,780)	-	-
Increase of investment in subsidiaries	(88,725)	(335,340)	(31,430)
Other	178	(18,344)	(1,354)
Net cash used in investing activities	(327,518)	(481,786)	(34,420)
Cash flows from financing activities:			
Net change in commercial paper and other borrowings under one year	302,443	38,167	44,000
Proceeds from borrowings over one year	-	-	50,000
Payments on borrowings over one year	-	(25,000)	-
Proceeds from issuance of long-term debt	-	177,267	232
Payments on long-term debt	-	(2,000)	(5)
Proceeds from issuance of common stock	9,753	139,974	4,147
Payments to redeem common stock	(6,650)	(26,741)	(121,389)
Dividends paid	(56,914)	(41,600)	(29,004)
Net cash provided by (used in) financing activities	248,632	260,067	(52,019)
Net increase (decrease) in cash and due from banks	3,351	(1,212)	(994)
Cash and due from banks at beginning of year	158	1,370	2,364
Cash and due from banks at end of year	\$ 3,509	158	1,370

The parent company paid interest of \$30.7 million, \$16.4 million, and \$8.3 million for the years ended December 31, 1999, 1998, and 1997, respectively.

OFFICERS AND DIRECTORS

ZIONS BANCORPORATION CORPORATE OFFICERS

Harris H. Simmons
President and Chief
Executive Officer

Roy W. Simmons
Chairman of the Board

A. Scott Anderson
Executive Vice President
Utah and Idaho Administration

Nolan Bellon
Senior Vice President
Controller

Danne L. Buchanan
Executive Vice President
Operations and
Information Systems

Gerald J. Dent
Executive Vice President
Credit Administration

Dale M. Gibbons
Executive Vice President
Chief Financial Officer

W. David Hemingway
Executive Vice President
Capital Markets and
Investments

Robert G. Sarver
Executive Vice President
California Administration

Bruce K. Alexander
Senior Vice President
Colorado Administration

John J. Gisi
Senior Vice President
Arizona Administration

James C. Hawkanson
Senior Vice President
Washington Administration

Clark B. Hinckley
Senior Vice President
Human Resources

George B. Hofmann III
Senior Vice President

William E. Martin
Senior Vice President
Nevada Administration

Dan Burch
Vice President
Auditing

Lisa Freberg
Vice President
Corporate Compliance Officer

Ralph Hendrix
Vice President
Credit Examination

Ronald L. Johnson
Vice President
Credit Examination

John A. Payne
Vice President
Taxation and Financial
Planning

BOARD OF DIRECTORS

Jerry C. Atkin³
Chairman, President and
Chief Executive Officer
Skywest Airlines
St. George, Utah

Grant R. Caldwell²
Retired/Former KMG Main
Hurdman Partner
Salt Lake City, Utah

R. D. Cash¹
Chairman, President and
Chief Executive Officer
Questar Corporation
Salt Lake City, Utah

Richard H. Madsen²
Chairman, President and
Chief Executive Officer
ZCMI
Salt Lake City, Utah

Roger B. Porter^{2,3}
IBM Professor of Business and
Government
Harvard University
Cambridge, Massachusetts

Robert G. Sarver⁴
Chairman and
Chief Executive Officer
California Bank & Trust
San Diego, California

Harris H. Simmons¹
President and Chief Executive
Officer of the Company and
Chairman of the Board of
Zions First National Bank
Salt Lake City, Utah

L. E. Simmons⁴
President
SCF Partners
Houston, Texas

Roy W. Simmons^{1,4}
Chairman of the Board
of the Company
Salt Lake City, Utah

Shelley Thomas⁴
Consultant
Salt Lake City, Utah

I. J. Wagner^{1,2}
President
The Keystone Company
Salt Lake City, Utah

DIRECTOR EMERITUS

William P. Harlin
Retired/Former President
W. P. Harlin Construction
Company
Salt Lake City, Utah

- ¹ Member, Executive Committee
² Member, Audit Committee
³ Member, Executive Compensation
Committee
⁴ Member, Credit Review/Compliance
Committee

ZIONS FIRST NATIONAL BANK SALT LAKE CITY, UTAH

CORPORATE OFFICERS

A. Scott Anderson
President and
Chief Executive Officer

Harris H. Simmons
Chairman of the Board

John B. D'Arcy
Executive Vice President
Chief Lending Officer

Dale M. Gibbons
Executive Vice President
Chief Financial Officer

W. David Hemingway
Executive Vice President
Investments

J. Steven Houston
Executive Vice President
Credit Administration

BOARD OF DIRECTORS

Harris H. Simmons^{1,4}
Chairman of the Board;
President and
Chief Executive Officer
Zions Bancorporation
Salt Lake City, Utah

A. Scott Anderson¹
President and
Chief Executive Officer
Zions First National Bank
Salt Lake City, Utah

R. D. Cash
Chairman, President and Chief
Executive Officer
Questar Corp.
Salt Lake City, Utah

Robert C. Fuehr⁴
Senior Vice President,
Operations
Suite Technology Systems
Network
Salt Lake City, Utah

Ronald S. Hanson^{1,4,5}
Retired
Former Vice Chairman
Zions First National Bank
Salt Lake City, Utah

James T. Jensen^{2,3}
Executive Vice President,
General Counsel, Secretary and
Director
The Savage Companies
Salt Lake City, Utah

Susan Mooney Johnson⁵
President
Futura Industries
Daw Technologies
South Weber, Utah

Dixie L. Leavitt³
Chairman of the Board
Security Enterprises dba
The Leavitt Group
Cedar City, Utah

Robert A. Madsen
RA Investments
Salt Lake City, Utah

Roy C. Nelson¹
Former President
Bank of Utah
Ogden, Utah

Kathryn H. S. Pett
Secretary and
General Counsel
Utah Transit Authority
Salt Lake City, Utah

Roy W. Simmons
Chairman of the Board
Zions Bancorporation
Salt Lake City, Utah

D. Gill Warner
Retired/Former President and
Chief Executive Officer
Associated Foods
Salt Lake City, Utah

DIRECTORS EMERITI
Joseph A. Anderson, Jr.
Retired/Former President and
Chief Executive Officer
ZCMI
Salt Lake City, Utah

Gregory E. Austin
Owner/Austin Realty, M.A.I.
Provo, Utah

Gordon B. Hinckley
President
The Church of Jesus Christ
of Latter-day Saints
Salt Lake City, Utah

S. C. Johnson
Retired
Salt Lake City, Utah

W. Mack Lawrence
Retired
Salt Lake City, Utah

Neal A. Maxwell
Member of the Quorum of the
Twelve/The Church of Jesus
Christ of Latter-day Saints
Salt Lake City, Utah

Russell M. Nelson
Member of the Quorum of the
Twelve/The Church of Jesus
Christ of Latter-day Saints
Salt Lake City, Utah

Boyd K. Packer
Member of the Quorum of the
Twelve/The Church of Jesus
Christ of Latter-day Saints
Salt Lake City, Utah

L. Tom Perry
Member of the Quorum of the
Twelve/The Church of Jesus
Christ of Latter-day Saints
Salt Lake City, Utah

- 1 Member, Executive Committee
- 2 Member, Trust Committee
- 3 Member, Examining Committee
- 4 Member, Credit Review/Compliance Committee
- 5 Member, CRA Committee

The Board of Directors and
employees regret the passing of
Harold H. Bennett, Director
from 1968-1984, and as Director
Emeritus from 1984-1999.

ZIONS FIRST NATIONAL BANK AREA ADVISORY BOARDS

UTAH VALLEY
Bill J. Anderson
Angus Belliston
Steven T. Densley
Robert W. McMullin
Kim H. Peterson
Joe Squire
John Valentine
Thomas Whitaker

CARBON/EMERY
Neil Breinholt
Mike Dmitrich
Jerry Frandsen
Greg Killpack
Tom Niederhauser
Kent B. Wilson
Grace Jones

SOUTHERN UTAH
Karen Alvey
Bruce Ballard
Lee Bracken
Kevin Ence
Robert Huddleston
Rodney Orton
Harold G. Shirley
Richard Whitehead
John Yardley

SOUTH CENTRAL
Douglas Barton
Gale Chapman
Alan Christensen
Mark Fuellenbach
David Hinkins
Donna Magleby
Don Peterson
Kim Robinson
Roger Stanworth

UINTAH BASIN
John C. Beaslin
Dana O'Crowley
Larry E. Nielsen
Gaiwen Snow
Gordon E. Snow
Gary Stringham

WEBER/DAVIS
Glen E. Brown
Jack Klepinger
Carolyn R. Nebeker
Orluff Opheikens
Jack B. Parson, Jr.
Jack Shaum
Kay Thornock
Lynn Wardley

CACHE/BOX ELDER
Don Bailey
Grant L. Ballam
Suzanne Ferry
Gary D. Jones
Brent Nyman
Don Peart
Don Kvarfordt
Derwin Merrill

GRAND/SAN JUAN
James Englebright
Sheri Griffith
Keith Ivins
J. Tyron Lewis
Frankie Nightingale
I. D. Nightingale
William Petty

PARK CITY
Kimberley Avery
John Cumming
Les England
James W. Lewis
Franklin Richards, Jr.
William Rothwell
E. Jeffrey Smith
Richard Wilde

SENIOR VICE PRESIDENTS

Robert W. Anderson
Fred Ball
Nolan Bellon
Rick D. Burtenshaw
Kim D. Butters
Lori B. Chillingworth
John Clower
Ruth M. DeFrates
Larry R. Denham
Patrick M. Floyd
David H. Fuhriman
William W. Hall
Ronald C. Hanks
Ronald L. Hatch
George B. Hofmann III
Bruce T. Jensen
Diana E. Kirk
Mark C. Kirk
Robert G. Knox III
LeeAnne B. Linderman
Nathan J. Morgan
Peter J. Morgan
Paul A. Neuenschwander
Alan C. Peterson
Roger C. Reese
John Stillings
Thomas C. Swegle
Stephen K. Thomas

**REGIONAL/AREA
PRESIDENTS**

Kelly Anderson
David L. Clark
Melisse Grey
Thone K. Heppler
Ferral D. Huntsman
Rebecca Ann Kearns
F. Dwight Marchant
Lynn F. Runolfson
Spencer T. Wright

AREA MANAGERS

Carl Snyder
Elaine Vreeland
Adam Whitefield

VICE PRESIDENTS

Decker Adams
Ruth Alahydoian
S. Duane Alexander
Howard Anderson
Kim Anderson
Jon Armstrong
D. Rodney Avey
Martin Baird
Richard Baird
Douglas C. Balch
Leslie Ball
Sheldon T. Banks
Jerry Barker
David W. Bata
James Becker
Robyn M. Bishop
Grant Boehme
Robert Boyd
David Brodsky
Jonathan B. Bronson
Michael R. Brough
Robert A. Brough
Dennis Brown
Orson Brown
Scott R. Burnett
Stephen L. Burrier
Willis G. Candland
Steven G. Carlson
Craig R. Carpenter
Nelson Carter
Tyler Christiansen
Nicholas P. Cifuni
Dale A. Clayton
Thomas O. Coleman
Scott W. Colton
James R. Cooper
J. Austin Cope
Daniel W. Cox
John W. Craner
Jerold Curtis
Jim K. Davis
Lee S. Davis
John Dean
W. Kent DeHart
Craig DeMille

Edward J. Doherty
Paul M. Dotson
David S. Dransfield
Susan Duvel
Steven Earley
Brett Eliason
Steven Ellsworth
Carl Empey
Brent Erickson
Thomas C. Etzel
Jay Evans
Michael J. Evans
Delynn Fielding
Janet M. Fisher
Douglas H. Flint
Leo J. Florence
Kristi Fonnesbeck
Bruce J. Forsyth
Norman Fukui
Henry Gardner
Donald Gartman
William R. Gaston
Gary Gatherum
Lyle Gertsch
Kelly Gibbs
Leland Gibbs
Robert Goodman
Jerry V. Guymon
P. Boyd Hales
Dan L. Hammon
Gary B. Hansen
Michael Hanson
Lynda Harvey
Christine Hayward
Larry Hintze
Dennis Hoagland
Kerry D. Holyoak
Saundra N. Hopkins
Paul Howarth
Robert Howell
William D. Hudson
Charles Grant Hurst
David Jackman
Richard P. Jackson
Jay James
Harvey I. Jeppsen, Jr.
Marianne Johnson
Rick Kammerman
Robert J. Kastelic
Lester Keely
Jim King
Patricia Kirberg
Melvin Kirkham
Kathryn Kling
Paul G. Knop
Doug Kohler
Charles Loughridge
Janet L. Louie
Jeff Mann, Jr.
Dennis Marshall
David Mathis
Ralph A. Matson
Jack A. May
Bradley T. Mayeda
Becky W. McSpadden
Robert Meyers
D. Kent Michie

Bobbie D. Miller
Phil Mitchell
Patricia J. Moller
Michael Moore
Cheryl A. Mortimer
Rick Murakami
Scott Nash
Clay J. Nielsen
Geoffrey Nielson
Dan T. Noble
Greg O. Nordfelt
James H. O'Halloran
John O'Sullivan
Terry Oliver
David B. Olson
Steven Page
Lynda Parrish
P. J. Parkinson
J. Daniel Passmore
Larry Pearson
Eric Pehrson
Ronald Peterson
Steven R. Peterson
Gary L. Pinegar
Thomas N. Pitcher
Michael Plaizier
Michael Poll
Dennis Porter
Ada Prins
Randy Quinn
Alan Ralphs
Tracy Reckert
Bruce Rigby
J. Brent Ririe
Richard B. Roach
Kelly Robertson
Rick Robinson
Gay Rogers
Mark Rothacher
Thomas Rugh
Matthew Sato
Steven J. Scott
John Seaman
Brad Sheppard
Nicole Sherman
Jalene Smith
Susan Speer
F. Kim Stephens
Martin R. Stephens
Richard S. Stevenson, Jr.
Eric B. Storey
William Streeper
Richard Sullivan
Howard Swapp
William H. Talbot
Harvey Tanner
Gregg L. Taylor
Marilyn Taylor
Robert S. Taylor
Brad Thompson
Richard W. Thomsen
Terry Tobin
Richard J. Tonkin, Jr.
R. Matthew Tullis
Tee Tyler
Steven K. Verno
Jerold T. Wait

Karl B. Ward
Boyd Warren
John D. Wellington
Philip D. White
Rex Wilkerson
Neal R. Wilson
Daren Wright
Terrell W. York

**ZIONS FIRST
NATIONAL BANK
136 BRANCHES
LOCATED IN:**

UTAH

American Fork
Blanding
Bountiful
Brigham City
Castle Dale
Cedar City
Centerville
Coalville
Cottonwood
Delta
Draper
Duchesne
Eden
Enterprise
Ephraim
Farmington
Gunnison
Heber City
Holladay
Huntington
Hurricane
Kamas
Kanab
Kearns
Layton
Lehi
Logan
Magna
Manti
Midvale
Moab
Monticello
Montezuma Creek
Murray
North Salt Lake
Ogden
Orem
Panguitch
Park City
Payson
Pleasant Grove
Price
Provo
Randolph
Richfield
Roosevelt
Salina
Salt Lake City
Sandy
Santaquin

Smithfield
Snow Canyon
South Jordan
South Ogden
Spanish Fork
Springdale
St. George
Sugarhouse
Sunset
Syracuse
Taylorsville
Tooele
Vernal
Washington
West Jordan
West Valley City
Woods Cross

IDAHO

Blackfoot
Bonners Ferry
Boise
Burley
Gooding
Idaho Falls
Lewiston
Montpelier
Moscow
New Plymouth
Paris
Pocatello
Richfield
Rigby
Twin Falls
Weiser
Wilder

CALIFORNIA BANK & TRUST SAN DIEGO IRVINE LOS ANGELES OAKLAND

BOARD OF DIRECTORS

Robert G. Sarver
Chairman and
Chief Executive Officer
California Bank & Trust
San Diego, California

David Blackford
Managing Director
Real Estate
Irvine, California

Gerald Dent
Executive Vice President
Zions Bancorporation
Salt Lake City, Utah

Allan W. Severson
Director
California Bank & Trust
San Diego, California

Harris H. Simmons
President and
Chief Executive Officer
Zions Bancorporation
Salt Lake City, Utah

Christopher Skillern
Executive Vice President
San Diego Division
California Bank & Trust
San Diego, California

Dennis Uyemura
Managing Director/Finance
California Bank & Trust
San Diego, California

EXECUTIVE VICE PRESIDENTS

George B. Bryce
Jeffrey Cheung
William Gunnell
Frank Lee
Michael Permenter
Christopher Skillern
Merrill S. Wall
Mark Young

SENIOR VICE PRESIDENTS

Carolyn Andriesse-Carey
Stephen Bellicini
Ted Biggs
Steven Borg
Gerald Cady
Michael Campbell
Janice Clavell
Reneé Comeau
Paul Donaldson
Marie Doyle
Michael Dunham
Steve Espino
Joel Ewan
Karen Filimon
Alan Furuta
Thomas Gannon
Drucilla Garcia-Richardson
Renald Gregoire
Frank Henry
Steven Hertel
Jeffrey Hill
Michael Hood
Jim Horton
Robert Hulterstrom
Craig Kirkland
Robert Lease
Constance Lemen
Robert Longatti
John Maguire
Robert Mantle
Carolyn Milloy
Kirk Monroe
Ikuo Ogata
Donald Ogle
Gary Owens
Edward L. O'Malley
Sheryl Palmer
Daniel Ray
Sandra Redman
Albert Riley
Joseph Rusin
David Russell
Lorie Schulenberg
Michael Adam Smith
Carolyn Souma
Peggy Standefer
Denette Stewart
Walter Strangman
Kingman Tsang
John Walsh
Richard Wessman
Robert Whitelaw
Gwendolyn Wong
Richard Yuen

VICE PRESIDENTS

Natalie Adler
Iqbal Ahmed
Charlene Ajifu
Glenda Allen
Steven Almquist
Cathleen Amundson

Janice Anderson
Josh Andowitt
Stella Arrol
William Bailey
Valli Baker-Yost
David Bale
Patricia Baptist
Juan Barrera
Edith Barsotti
Patricia Belden
Agnes Benson
Gustavo Bidart
Cheryl Blackwell
Eric Bosworth
Burt Brigida
Joel Brinkman
Charles Bronaugh
Barry Brose
Kenneth Brown
Trina Brown
Lanning Bryant
Lynda Buckner
Alan Burr
Charlotte Buse
Andrew Busschau
Evelyna Camacho-George
Pamela Campbell
Michael Carroll
Frank Casciari
Linda Cecil
Steven Chan
Margaret Chang
Ronald Chapman
Marge Chapman
Robert Chaulk
Amelia Cheliew
Joe Chen
Heddy Chiang
Samuel Clark
Joanne Cleary
Patricia Collins
Christine Corso
Richard Crotti
Imran Dadabhoy
Brett Dammann
Deborah Dawahare
Steve De Long
Melissa Deadrich
James Denver
Ghalib Dhalla
Janet Dillon
Vincent Di Tomaso
Laird Doherty
Charles Dombrowski
Louise Donovan-Frazier
Marisa Drury
Julie Duepner
Lynne Duke
Florence Dunn
Michael Duran
Thomas Duryea
Vickie Eads
Henry Eager
Shirley Eakin
Zahid Elias
John Elliott
Andre Ellis

Juli Elston
 Jun Enkoji
 Clyde Farias
 Janice Farrell
 Emilio Fernandez
 Susan Ferrara
 Roxanne Fleischman
 Norman Fong
 Russell Fong
 Radcliffe Forbes
 Philip Fowler
 Phil D. Frazier
 Deborah Fredrickson
 Timothy Freese
 Marvell French
 John Gage
 Brenda Gambol
 Farooq Ganatra
 Katherine Gandolfo
 Richard Garcia
 Anita Garcia
 Michael Gardella
 Margo Garnier
 Alexander Gilbert
 Kristine Goddard
 William Goodrich
 Jas Grewal
 Roy Grimes
 Donald Gruhl
 Stephen Guinn
 Chester Haines
 Angela Hamamura
 Gene Hane
 Diana Hanes
 Howard Harband
 Jane Hashimoto
 John Haycock
 Richard Healy
 I. Laura Helder
 Paul Herman
 Steven Herman
 Lance Hillengass
 Brian Hodgins
 Wayne Hollins
 Richard Hong
 Shoko Horrell
 Marsha Hoshide
 Richard Hudson
 Helen Hwang
 G. Buddy Ikeda
 Shuji Ito
 Holly Iwanaga
 Norio Iwase
 Rhonda James
 Neil Johansen
 Alan Jolly
 Michael Jones
 Raymond Jones
 Robert Kahn
 Sung Kang
 Debra Kaplan
 Bobby Kariya
 Benjamin Katai
 Steve Kent
 Nicholas Kershaw
 Masato Kimotsuki
 Bartholomew Kinard

Vince Kingsley
 Jay Knobloch
 Sharyn Kohara
 William Kondrat III
 Abraham Kowal
 Carl Kruse
 A. James Kucera
 Eric Kuramoto
 Mary YuenKwan
 Amal Lahoud
 Jenny Lai-Zamora
 Richard Landen
 Clara La Plante
 Mark Lee
 Cindy Lehman
 Harlene Leung
 Glen Lezama
 Luong Lieu
 Kathy Lin
 Kathleen Littlefield
 Ronald Littlefield
 Michael Lonegan
 Nicole Lorenz
 Nicky Lovejoy
 Bettye Lovette
 Joe Lui
 Chih-Tao Ma
 Rodney Maeda
 Jimmy Manley III
 Susan Martin
 Hiroko Matsumoto
 Richard Maxwell
 Susan McCrackin
 Maureen McDaid
 Alan McEachern
 Kevin McQuiston
 Audi Melas
 Helena Mew
 Gary Miller
 Charles Mills
 Deborah Minshew
 Jan Mitrovich
 Chisato Molina
 Kristina Montag
 Michael Moore
 Paula Morgan
 Denise Moriarty
 Paul Moyer
 Karen Murphy
 Hisako Nagata
 Ernest Nagatoshi
 Theodore Nakada
 Richard Nance
 Eric Nelson
 Gordon Nelson
 Sarah Nicholson
 Karen Nixon
 Margaret Oae-Inaki
 Richard Ohl
 Christine Ono
 Jerry Ono
 Robert Ostrovsky
 Kenneth Ota
 Mary Ott
 Ralph Padilla
 Sean Parchman
 Stephen Parks

Gail Parvanian
 Sanat Patel
 Thomas Paton Jr.
 Susan Pattengill
 Jeffrey Payne
 Robert Peiler
 Carol Perillo
 Donna Pierce
 Eileen Porter
 Michael Princevalle
 Kim Ramirez
 William Rash
 Gregory Rea
 Mark Reardon
 Rick Reisman
 William Reynolds
 Devon Richardson
 Charlotte Roberson
 Robin Ropolo
 John Russell
 Vic Ryder
 Elaine Saculla
 Lilia Salcedo
 Craig Samuels
 Fred Sandow
 Sylvia Sanz
 Patrick Saunders
 Tomas Schmidt
 Kelly Schneider
 Regina Schnell
 Paula Scott
 David Sekigahama
 Maxine Shearer
 Dennis Sheehan
 Harry Shigetomi
 Emily Sidell
 John Siemens
 Steven Siemers
 Bruce Silberman
 Hyonbo Sim
 Mark Spillner
 Carol Stewart
 Thomas Stout
 Hung Kuan Su
 Carlo Succi
 Jeannie Swopes
 James Tabata
 Mark Tagwerker
 Stanley Takemoto
 Christine Tanizawa
 Kyle Tatsumoto
 Debbie Tellier
 Darryll Terrell
 Dorothy Thomas
 Paul Tozzi
 Marie Tran
 Jenny Tseng
 James Tustison
 Shunichi Uchida
 Clifford Uyeda
 Vivian Van Hook
 Eric Wada
 Thomas Walker
 Louis Weaver
 Matthew West
 Jonathan West
 Timothy Williams

Joseph Wilson
 Brenda Woeckener
 Fone Wong
 Lora Wong
 William Wong
 Rick Woody
 Georgia Worsham
 Amy Wu
 David Wu
 Howard Wu
 Diane Wunderlich-Sipe
 Larry Yamashiro
 Won Yi
 Priscilla Yip-Choi
 Emiko Yonekura
 Yoshiko Yoon
 Patricia Young
 Amir Zenhari

**CALIFORNIA BANK
 & TRUST
 73 BRANCHES
 LOCATED IN:**

Albany
 Alhambra
 Alpine
 Anaheim
 Arcadia
 Brea
 Carlsbad
 Claremont
 Costa Mesa
 Crenshaw
 Cupertino
 Del Mar
 El Cajon
 Escondido
 Fremont
 Fresno
 Gardena
 Hacienda Heights
 Hayward
 Huntington Beach
 Irvine
 La Jolla
 La Mesa
 La Palma
 Long Beach
 Los Angeles
 Madera
 Millbrae
 Monterey
 Monterey Park
 Moreno Valley
 Mountain View
 Oakland
 Oxnard
 Pleasant Hill
 Pomona
 Poway
 Rancho Bernardo
 Sacramento
 San Diego
 San Fernando Valley
 San Francisco
 San Jose

San Marcos
San Mateo
Santa Monica
Stockton
Temecula
Torrance
Valley Center
Vista
Walnut Creek
Watsonville

**VECTRA BANK
COLORADO
DENVER, COLORADO**

CORPORATE OFFICERS

Gary S. Judd
Chairman of the Board

Bruce K. Alexander
President and
Chief Executive Officer

Suzanne Clift
State Operations Director

Richard W. Lawrence
Chief Financial Officer

Robert A. Silverberg
Executive Vice President

David E. Broyles
Regional President
Alamosa

Wayne D. Glazner
Regional President
Cortez/Durango

Thomas W. Griffiths
Regional President
Aspen

John Jackson
Regional President
Colorado Springs

J. Patrick McDuff
Regional President
Boulder

Michael Y. Meganck
Regional President
Longmont

Gary Mosko
Regional President
Southwest Denver

James A. Simon
Regional President
Steamboat Springs

Joseph J. Wolf
Regional President
Denver

Ronald Allen
Mortgage Group President

JoAnn Clark
Human Resources Director

Tracie Davis
Director of Financial
Reporting and Analysis

R. Thad Allen
Credit Policy Officer

Lauren O'Connell
Director of Marketing
and Service Quality

BOARD OF DIRECTORS

Bruce K. Alexander
President and
Chief Executive Officer
Vectra Bank Colorado N.A.

Mary Gittings Cronin
President and
Executive Director
The Piton Foundation
Denver, Colorado

Gerald J. Dent
Senior Vice President
Zions Bancorporation
Salt Lake City, Utah

Robert D. Greene
Former Senior Vice President
Rocky Mountain Division
Safeway Stores, Inc.
Denver, Colorado

Gary S. Judd
Chairman of the Board
Vectra Bank Colorado, N.A.
Denver, Colorado

James L. Rumsey
Financial and Management
Consultant Former President
Scott Capital Corporation
Denver, Colorado

Robert G. Sarver
President
California Bank and Trust
San Diego, California

Scott R. Tipton
President
Tipton Enterprises
Cortez, Colorado

Harris H. Simmons
President and
Chief Executive Officer
Zions Bancorporation
Salt Lake City, Utah

Terrance F. Smith
President
Consolidated Equities, Ltd.
Westminster, Colorado

James J. Tonso
President
Canon Potato Company
Center, Colorado

Richard B. Tucker
Chairman
Custom Envelope Corporation
Denver, Colorado

SENIOR OFFICERS

Diane Andrews
John Ablutz
Helen Adams
Yvonne Baca
Anthony Bagwell
Charles Bantis
Anne Banwart-Dellacrose
Maureen Barker
Amy Barwick
Brent Beichle
Sharon Bennett
Jim Bills
Kim Birkby-Buck
Rick Bleyle
Paul Bodek
Callen Borgias
Eileen Breslin
Joan Bristol
JoAnn Brockway
Stan Brown
Lisa Bugner
Kelley Burford
Eileen Cantu
Gregg Carr
Suzanne Clift
Charles Coffey
Steve Collin
James Cortinez
Joe Costello
Debra Custer
Denise Daniell
Terry Darby
Greg Dewit
Lorna Donovan
Jacqueline Enochs
Linda Fender
Dale Fullen
William Gibson
Billy Giunta
Sandra Greene
John Greenemeier
Kenneth Griffin
Steven Griffith
Angela Habben
Shirley Hanson
Mimi Hardendorf
Jody Heutink
Kayleen Hollines
Traci Holmes
Steve Ingham
Dale Ireland
Jeni Jack
Mary Jane Hansen
Anne Jones

Roger Keel
 Peter Kenworthy
 June Kilburn
 Mary Koziol
 Nancy Law
 Don Lenocker
 Ellen Lidsky
 James Mahlberg
 James Makowitz
 Michael Malone
 David Manley
 Charles Mansueti
 Keith Marsden
 Gwynne Massengill
 Kerry Mayer
 Leslie McNeal
 Jan Mevigil
 Curt Morgan
 Suzanne Mutchler
 Irlan Neas
 Tom New
 James Oaks
 James Ocken
 David Pellegrino
 B.J. Pfankuch
 Douglas Pogge
 Russell Rathman
 Spark Reed
 Stephanie Reichert
 Kendall Richards
 Cheryl Rosenbaum
 Myron Sams
 Doug Shepherd
 Judith Shows
 Geraldine Soukup
 Andrew Spaulding
 Alan Swansen
 Ray Takala
 John Tate
 Kimberly Threlkeld
 Susan Tucker
 Chalmers Turner
 Doug VanderZwaag
 Carol Wadlei
 Bruce Weber
 Robert Whitcomb
 Tom White
 Diane Willett
 Stan Winkler
 Kim Woolf
 Rod Young

**VECTRA BANK
 COLORADO
 55 BRANCHES
 LOCATED IN:**

Colorado
 Alamosa
 Aspen
 Basalt
 Boulder
 Broomfield
 Center
 Colorado Springs
 Commerce City

Cortez
 Cripple Creek
 Del Norte
 Denver
 Dolores
 Durango
 El Jebel
 Englewood
 Federal Heights
 Fort Lupton
 Glendale
 Grand Junction
 Greely
 Highlands Ranch
 Lakewood
 Littleton
 Longmont
 Montrose
 Pagosa Springs
 Palmer Park
 Platteville
 Saguache
 Snowmass Village
 Steamboat Springs
 Sterling
 Telluride
 Thornton
 Wellington
 Westminster
 Wheatridge
 Wiggins
 Woodland Park

NEW MEXICO

Farmington

**NATIONAL BANK OF
 ARIZONA
 TUCSON, ARIZONA**

CORPORATE OFFICERS

John J. Gisi
 Chairman of the Board,
 President and
 Chief Executive Officer

James S. Lee
 Vice Chairman

James D. Bruner
 Executive Vice President
 Trust Division Manager

Duane R. Froeschle
 Executive Vice President
 Credit Administration Manager

Richard W. Krivel
 Executive Vice President
 Southern Division Manager

James H. Lundy
 Executive Vice President
 Maricopa Credit Administrator

Keith D. Maio
 Executive Vice President
 Commercial Real Estate
 Loan Manager

Julie L. Raymond
 Executive Vice President
 Operations Administrator

BOARD OF DIRECTORS

John J. Gisi
 Chairman of the Board,
 President and
 Chief Executive Officer
 National Bank of Arizona
 Phoenix, Arizona

Hugh M. Caldwell, Jr.
 Secretary to the Board
 National Bank of Arizona
 Attorney
 Waterfall, Economidis,
 Caldwell, Hanshaw &
 Villamana P.C.
 Tucson, Arizona

Duane R. Froeschle
 Executive Vice President
 National Bank of Arizona
 Phoenix, Arizona

Richard W. Krivel
 Executive Vice President
 National Bank of Arizona
 Tucson, Arizona

James S. Lee
 Vice Chairman of the Board
 National Bank of Arizona
 Phoenix, Arizona

James H. Lundy
 Executive Vice President
 National Bank of Arizona
 Phoenix, Arizona

Julie L. Raymond
 Executive Vice President
 National Bank of Arizona
 Phoenix, Arizona

Harris H. Simmons
 President and
 Chief Executive Officer
 Zions Bancorporation
 Salt Lake City, Utah

Roy W. Simmons
 Chairman of the Board
 Zions Bancorporation
 Salt Lake City, Utah

**SENIOR VICE
 PRESIDENTS**

Susan M. Andrews
 Benny J. Bennight
 Robert E. Blakemore
 Joseph P. Carroll
 Darrell R. Coulter
 Larry S. Davis
 Peter J. Hill
 David O. Lyons
 Brian C. Middleton
 Marie G. "Sandy" Murphy
 Thomas G. Rumph
 Pat H. Simmons
 Scott B. Summers
 Michael R. Weigel
 T. David Yarnes

VICE PRESIDENTS

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 Carol H. Babbitt
 Richard S. Baker
 Mark A. Berard
 Kenneth Blanchard
 Barbara J. Boone
 Christian Bowers
 Dee H. Burton
 Dennis J. Calik
 Reid H. Clark
 Mary Jane Condit
 David B. Cooper
 Scott R. Davis
 Felix J. Durazo
 Barbara F. Dynes
 Christina L. Fell
 J. Lanette Ford
 Bruce A. Fox
 Gregory J. Geis

Ruth L. Giovacchini
Kenneth S. Goldstein
Ritamarie Harper
Harry H. Harvey
Cheryl Holdraker
Michael D. Hosmar
R. Scott Huth
Debra A. Irving
Robert F. Jamison
Donald E. Jenks
David O. Johnson
Kathrine J. Jorgenson
Kenneth R. Kellaney
Christopher E. King
Brenda B. Koedyker
Michael E. Kolb
Gary E. Lace
Christina Lee
David E. Lindbeck
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John P. Lorenzen
Karen L. Marine
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N. Carolyn Maxwell
Shanna Mayberry
James B. McIlhenny
Debra C. McKee
John C. Nelson
Jon C. Nimitz
Bruce G. Oman
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Norman E. Rebenstorf, Jr.
Linda L. Rohmer
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Thomas W. Shelby
D. Scott Stemm
Willma L. Strattan
Robert I. Terry
Donald B. Thomas
Debra K. Tucker
Comer W. Wadzeck II
Marjorie L. Willis
Theresa N. Wine
Sandra R. Witt
Marshall D. Wong
Jamie L. Wright
Nelida A. Younce
David A. Zanath

**NATIONAL BANK
OF ARIZONA
37 BRANCHES
LOCATED IN:**

Benson
Bisbee
Carefree
Chandler
Cottonwood
Douglas
Flagstaff
Florence
Mesa

Page
Payson
Phoenix
Prescott
Safford
San Luis
Scottsdale
Sedona
Sierra Vista
Springerville
Sun City
Tempe
Tucson
Wellton
Williams
Yuma

**NEVADA STATE BANK
LAS VEGAS, NEVADA**

CORPORATE OFFICERS

William E. Martin
President and
Chief Executive Officer
Chairman of the Board

Jerry R. Martin
Executive Vice President

Carl W. Reed, Jr.
Executive Vice President

BOARD OF DIRECTORS

William E. Martin
Chairman of the Board
President and
Chief Executive Officer
Nevada State Bank
Las Vegas, Nevada

Richard A. Carlson
Retired
Former President and
Chief Executive Officer of
Nevada State Bank
Las Vegas, Nevada

Wing Fong
Wing Fong Enterprises
Las Vegas, Nevada

W. David Hemingway
Executive Vice President
Zions Bancorporation
Salt Lake City, Utah

George B. Hofmann III
Former President and
Chief Executive Officer of
Nevada State Bank
Las Vegas, Nevada
Senior Vice President
Zions Bancorporation

John R. Larsen
Chief Executive Officer
Port of Subs, Inc.
Reno, Nevada

Dr. Robert E. Robinson
Las Vegas, Nevada

Harris H. Simmons
President and
Chief Executive Officer
Zions Bancorporation
Salt Lake City, Utah

Roy W. Simmons
Chairman of the Board
Zions Bancorporation
Salt Lake City, Utah

Gary L. Stewart
President and Owner
Central Grading Company
Las Vegas, Nevada

**SENIOR VICE
PRESIDENTS**

Jeff Bargerhuff
Russ Browne
Mark Campbell
Michael Cunningham
Richard Deglman
Gary Gibson
Ronald Gifford
Michael Gogola
Shelle Grim-Brooks
Barry Harrison
Kathie E. Higgins
Lowell McGann
Kevin Sullivan
Richard Teixeira
Jacquelyn C. Williams

VICE PRESIDENTS

Denise Alderette
Roger Ashby
Greg Barrington
Jerry Bigler
Marsha Blasche
Barbara Boos
Annette Branning
Andrew Brauer
Derek Braybrooks
Kelly Brockman
Cecil Capps
Robert Capurro
Robin Collins
Joyce Corry
Floy Davis
Cassandra Eisinger
Nancy Elliott
Connie Etter
Robert Evans
Margaret Foster
Kathleen Gaffney
Jane Gallo
Robert Gerber
Charles Hainsworth
Nancy Hamer
Daylene Hendricks
Barbara Hill
Marcia Hollingsworth
Dan Holt
Sylvia Hooker
Juneen Horch
Penny Hunt
Nancy Irwin
Gary Jacobs
John Jent

Kathy Jumper
Lori Kennedy
Linda Kirk
Virginia Knudsen
Curt Krosta
Keri Kruspe
Joseph Laiacona
Veronica McKay
Sharon Murdock
Donna Nelson
Pamela Newell
Lorie Nummela
Kristine Olsen
Ray Pieretti
David Pooser
Dugan Pulsipher
Jeannie Redinger
Matthew Resler
Ken Ries
Kent Rose
Sandra Saliba-Durante
David Settle
Barry Smith
Sonia Smith
Robert Sperling
Robert Stehn
Steven A. Strunk
Bob Tepedino
Jerry Todd
Tay Tollefsen
Linda Tuxon
Fabian Vincent
Julie Wagner
William Waldren
Sarah Walker
Douglas Warden
Nicholas Webber
Rena Whitehead
Drew Zidzik
Gordon Zumwalt

**NEVADA STATE BANK
59 BRANCHES
LOCATED IN:**

Boulder City
Carson City
Dayton
Elko
Eureka
Fernley
Gardnerville
Henderson
Las Vegas
Lovelock
Mesquite
North Las Vegas
Pahrump
Reno
Sparks
Tonopah
Wells
Wendover

**THE COMMERCE BANK
OF WASHINGTON
SEATTLE, WASHINGTON**

CORPORATE OFFICERS

James C. Hawkanson
Managing Director and
Chief Executive Officer

David Friedenberg
Managing Director
Client Relationships

John R. Kephart
Managing Director
Administration

BOARD OF DIRECTORS

Tom A. Alberg
Managing Director
Madrona Venture Group, LLC
Seattle, Washington

Graham S. Anderson
GRACO Investments
Seattle, Washington

Stanley H. Barer
Co-Chair/CEO
Saltchuk Resources, Inc.
Seattle, Washington

Christopher T. Bayley
Chairman
Dylan Bay Companies
Seattle, Washington

Carl G. Behnke
President
REB Enterprises
Chairman
Sur La Table
Seattle, Washington

William D. Bradford
Endowed Professor of Business
& Economic Development/
Professor of Finance
School of Business
Administration
University of Washington
Seattle, Washington

Richard C. Clotfelter
Investor
Bozeman, Montana

Kirby L. Cramer
Chairman Emeritus
Hazleton Laboratories
Kirkland, Washington

Michael G. Foster
Chairman and Chief
Executive Officer
Foster & Baker
Seattle, Washington

Michael D. Garvey
Co-Chair/CEO
Saltchuk Resources, Inc.
Seattle, Washington

Herbert M. Gould, III
President and
Chief Executive Officer
Mad Anthony's, Inc.
Bellevue, Washington

James C. Hawkanson
Managing Director and
Chief Executive Officer
The Commerce Bank
Seattle, Washington

John A. Hilton, Jr.
Executive Vice-President
Bessemer Trust Company,
N.A.
Chicago, Illinois

Patrick W. Kuo
President
Cascadia Development
Corporation
Bellevue, Washington

Earl P. Lasher, III
Senior Partner
Lasher, Holzapfel,
Sperry & Ebberson
Seattle, Washington

Laurie McDonald Jonsson
President and
Chief Executive Officer
Stellar International
Seattle, Washington

Wallace E. Opdycke
Chairman
Keystone Capital
Bellevue, Washington

William Rademaker, Jr.
General Counsel
William E. Boeing, Jr.
Enterprises
Seattle, Washington

William J. Rex
Managing Director (Retired)
Prudential Securities, Inc.
Seattle, Washington

Robert R. Richards
Economist
Mercer Island, Washington

Faye Sarkowsky
Community Volunteer
Seattle, Washington

Harris H. Simmons
President and
Chief Executive Officer
Zions Bancorporation
Salt Lake City, Utah

David C. Wyman
Wyvest
Seattle, Washington

**RELATIONSHIP
MANAGERS**

Suzanne Duvel
Susan M. Finneran
Kurt Fischer
David Friedenberg
James C. Hawkanson
Dianne R. Howell
Yuko Kameoka
Lynda L. Linse
Reed L. Lloyd
Ralph P. Newell
Hiep Q. Quach
Norman R. Rea
Sri M. Thornton

**THE COMMERCE BANK
OF WASHINGTON
1 BRANCH LOCATED IN:**

Seattle

OTHER AFFILIATES**DIGITAL SIGNATURE
TRUST CO.**

J. Scott Lowry
President

VICE PRESIDENTS

Keren Cummins
Randy Fox
Thomas J. Greco
Don Johnson
Trell Rohovit
Rusel Weiser

**ZIONS CREDIT
CORPORATION**

Max T. Nichols
President

VICE PRESIDENTS

Nancy Olson
Norman G. Weldon

**ZIONS INSURANCE
AGENCY, INC.**

Russell W. Miller
President
David H. Fuhrman
Secretary/Treasurer

VICE PRESIDENTS

Brian Allen
Robert Lyons
Joni Moerman
Paul A. Wright

**ZIONS INVESTMENT
SECURITIES, INC.**

Nathan J. Morgan
President

W. David Hemingway
Senior Vice President

VICE PRESIDENTS

David R. Nichols
James W. Barlow
Bruce K. Cook
Michael Hosmar
Vaughn Law
David J. Taylor
Holly Wakefield
Sharon Weinle

**ZIONS LIFE INSURANCE
COMPANY**

Russell W. Miller
President

**ZIONS MANAGEMENT
SERVICES COMPANY**

Harris H. Simmons
President, Chief Executive
Officer and Chairman

VICE CHAIRMEN

Danne L. Buchanan
Gerald J. Dent
Dale M. Gibbons
W. David Hemingway

**EXECUTIVE VICE
PRESIDENTS**

John Itokazu
Thomas B. Morgan
B. George Saloom
Dianne L. Wynne

**SENIOR VICE
PRESIDENTS**

Nolan Bellon
David Fischer
Thomas J. Harding

VICE PRESIDENTS

Banafsheh Bertram
Joel Brady
Brent Briggs
Richard G. Crandall
Margaret Crawford
Kelly Etherington
Cynthia Feight
Frank Fisher
Kay Hall
David Hinds
Jeffrey Johnson
John Kemeny
Annette M. Langheinrich
Jeff Mather
Robert Norton
John A. Payne
David Ratliff
Merrill Riggs
Richard D. Seely
James H. Stevenson
Pamela F. Wallis
Karen Wardle
Mark Wilkinson
Lynn C. Young

Corporate Information

EXECUTIVE OFFICES:

One South Main Street
Salt Lake City, Utah 84111
(801) 524-4787

ANNUAL SHAREHOLDERS' MEETING:

Friday, May 26, 2000, 11:00 a.m.
Salt Lake City Marriott Hotel
75 South West Temple
Salt Lake City, Utah 84101

TRANSFER AGENT:

Zions First National Bank
One South Main Street
Salt Lake City, Utah 84111
(801) 524-4624

REGISTRAR:

Zions First National Bank
One South Main Street
Salt Lake City, Utah 84111

AUDITORS:

KPMG Peat Marwick LLP
60 East South Temple, Suite 900
Salt Lake City, Utah 84111

NASDAQ NATIONAL MARKET SYMBOL:

ZION

NUMBER OF COMMON SHAREHOLDERS:

6,564 as of December 31, 1999

DIVIDEND REINVESTMENT PLAN:

Shareholders can reinvest their cash dividends in additional shares of our common stock at the market price. Shareholders, as well as brokers and custodians who hold our common stock for clients, can obtain a prospectus of the plan by writing to:

Zions Bancorporation
Dividend Reinvestment Plan
P.O. Box 30880
Salt Lake City, Utah 84130

NASDAQ MARKET MAKERS:

A.G. Edwards & Sons, Inc.
Adams, Harkness & Hill, Inc.
Bear, Stearns & Co., Inc.
Cantor, Fitzgerald & Co.
Credit Suisse First Boston Corp.
Dain Rauscher Inc.
Donaldson, Lufkin & Jenrette
Fidelity Capital Markets
Friedman Billings Ramsey & Co.
G.V.R. Company
George K. Baum & Co.
Goldman, Sachs & Co.
Herzog, Heine, Geduld, Inc.
Jefferies & Company, Inc.
JW Genesis Capital Markets
Keefe, Bruyette & Woods, Inc.
Knight Securities L.P.
Lehman Brothers Inc.
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Midwest Stock Exchange
NationsBanc Montgomery Securities
OTA Limited Partnership
Pershing Trading Company
Piper Jaffray Companies Inc.
Salomon Smith Barney, Inc.
Schwab Capital Markets
Sherwood Securities Corp.
Spear, Leeds & Kellogg
Van Kasper & Co. Inc.
Warburg Dillon Read, LLC
Weeden and Co. Inc.

INVESTOR RELATIONS:

For financial information about the Corporation, analysts, investors and news media representatives should contact:

DALE M. GIBBONS
(801) 524-4787

ZIONS BANCORPORATION NEWS RELEASES:

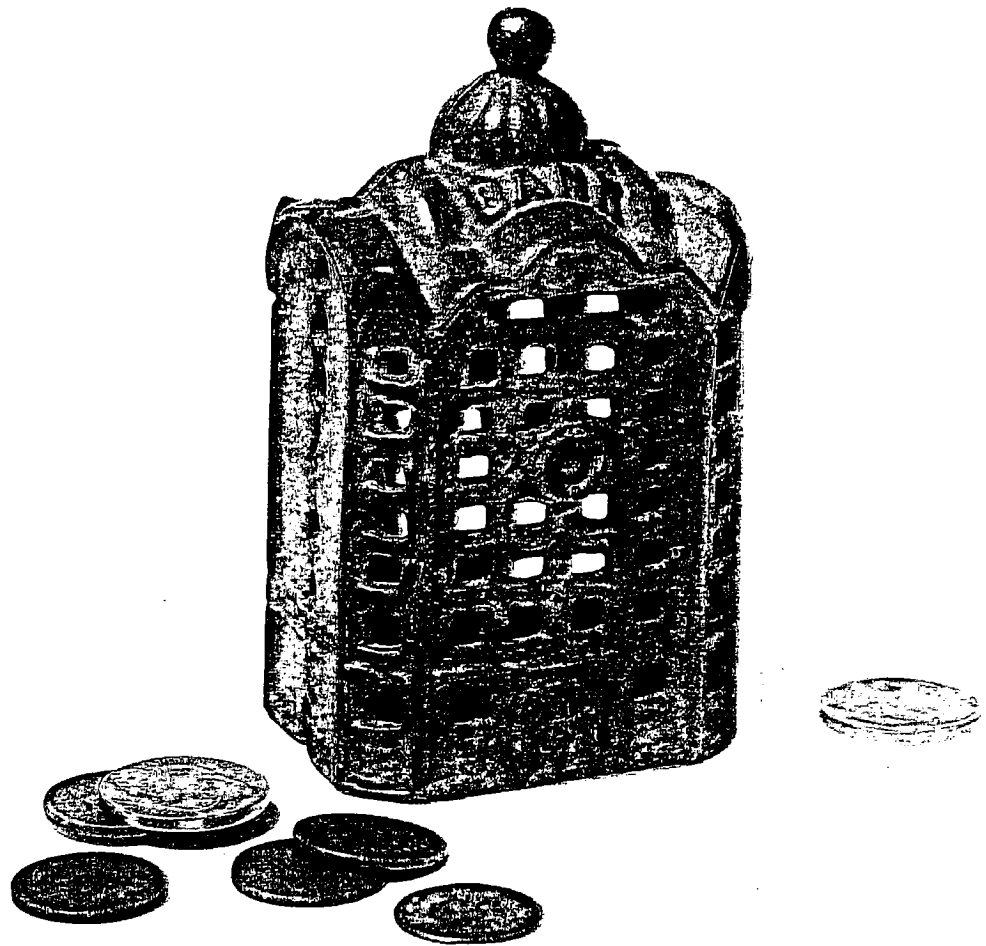
As a service to our shareholders and prospective investors, copies of the Company's recent news releases can be transmitted at no charge via fax by calling "Company News on Call" at 1-800-758-5804 ext. 988950. This electronic, menu-driven system, a service of PR Newswire, allows callers to receive Zions Bancorporation news releases within minutes of request. Our news releases are also available on our web site at www.zionsbank.com.

INTERNET SITES:

Zions Bancorporation:	www.zionsbancorporation.com
Zions First National Bank:	www.zionsbank.com
California Bank & Trust:	www.calbanktrust.com
National Bank of Arizona:	www.nbarizona.com
Nevada State Bank:	www.nsbank.com
Digital Signature Trust Co.:	www.digsigtrust.com

FIXED INCOME TRADING:

www.oddlot.com
www.govrate.com



A Collection of Great Banks

ZIONS BANCORPORATION

ANNUAL REPORT 2000

	00/99 Change	2000	1999	1998	1997	1996
FOR THE YEAR (in millions)						
Net income	-17%	161.7	194.1	143.4	131.4	112.8
Operating cash earnings ¹	+16%	281.4	242.8	194.4	138.3	115.0
PER SHARE						
Net income (diluted)	-18%	1.86	2.26	1.75	1.92	1.69
Net income (basic)	-18%	1.87	2.29	1.77	1.95	1.71
Operating cash earnings (diluted) ¹	+14%	3.23	2.83	2.37	2.03	1.73
Dividends declared	+24%	.89	.72	.54	.47	.43
Book value ²	+5%	20.42	19.39	17.39	12.50	9.00
Market price – end		62.44	59.19	62.38	45.38	26.00
Market price – high		62.75	75.88	62.38	46.00	26.00
Market price – low		36.44	49.00	38.38	25.69	16.69
AT YEAR END						
Assets	+8%	21,939	20,281	18,050	10,794	7,353
Loans and leases	+12%	14,378	12,791	11,219	5,463	3,942
Loans sold being serviced ³	+40%	1,750	1,252	1,040	1,050	868
Deposits	+7%	15,070	14,062	14,221	7,830	5,301
Shareholders' equity	+7%	1,779	1,660	1,453	857	569
PERFORMANCE RATIOS						
Return on average assets		.74%	.97%	1.00%	1.35%	1.58%
Return on average common equity		9.65%	12.42%	10.98%	19.40%	21.54%
Efficiency ratio		64.91%	66.55%	70.10%	59.33%	56.50%
Net interest margin		4.27%	4.31%	4.56%	4.29%	4.69%
OPERATING CASH PERFORMANCE RATIOS¹						
Return on average assets		1.34%	1.26%	1.41%	1.45%	1.62%
Return on average equity		27.40%	26.77%	26.56%	25.40%	23.36%
Efficiency ratio		57.46%	60.33%	61.32%	57.99%	55.96%
CAPITAL RATIOS²						
Equity to assets		8.11%	8.18%	8.05%	7.94%	7.73%
Tier 1 leverage		6.38%	6.16%	5.91%	6.92%	8.91%
Tier 1 risk-based capital		8.53%	8.64%	8.40%	11.96%	14.36%
Total risk-based capital		10.83%	11.29%	11.34%	13.85%	16.71%
SELECTED INFORMATION						
Average common-equivalent shares (in thousands)		87,120	85,695	81,918	68,258	66,547
Common dividend payout ratio		34.65% ⁴	29.33%	28.40%	22.10%	22.20%
Full-time equivalent employees		6,915	6,833	7,099	4,652	3,327
Commercial banking offices		373	362	345	241	153
ATMs		509	484	476	495	337

¹Before amortization of goodwill and core deposit intangible assets and merger charges.

²At year end.

³Amount represents the outstanding balance of loans sold and being serviced by the Company, excluding long-term first mortgage residential real-estate loans.

⁴Before impairment loss on First Security Corporation common stock.

PERFORMANCE SUMMARY

Zions Bancorporation and subsidiaries (the Company) reported net income of \$161.7 million or \$1.86 per diluted share in 2000. Net income decreased 16.7% from the \$194.1 million earned in 1999, which was up 35.4% over the \$143.4 million earned in 1998. On a diluted net income per share basis, earnings decreased 17.7% to \$1.86 in 2000, compared to \$2.26 in 1999. Per share earnings increased from \$1.75 to \$2.26, a 29.1% increase, from 1998 to 1999. Earnings for 2000 included pre-tax merger-related charges of \$45.5 million related primarily to a terminated merger with First Security Corporation and an impairment loss on First Security Corporation common stock of \$96.9 million. Excluding the merger-related expense and impairment loss, net income for 2000 was \$249.7 million, an increase of 17.5% over the \$212.5 million of net income before merger-related charges earned in 1999. Net income before merger-related charges for 1999 increased 26.9% over the \$167.5 million earned in 1998. On a diluted net income per share basis, net income before merger-related charges was \$2.87 per diluted share for 2000, an increase of 15.7% over \$2.48 earned in 1999, which was up 21.6% over the \$2.04 earned in 1998.

Operating cash earnings were \$281.4 million or \$3.23 per share for 2000, an increase of 15.9% and 14.1%, respectively, over the \$242.8 or \$2.83 per share for 1999, which was up 24.9% and 19.4% over the \$194.4 million or \$2.37 per share for 1998. The return on average shareholders' equity and the return on average assets on an operating cash basis were 27.40% and 1.34%, respectively, for 2000, compared to 26.77% and 1.26% for 1999 and 26.56% and 1.41% for 1998.

The Company is providing its earnings performance on an operating cash basis since it believes that its cash operating performance is a better reflection of its financial position and shareholder value creation as well as its ability to support growth and return capital to shareholders than reported net income. Operating cash earnings are earnings before the amortization of goodwill and core deposit intangible assets and merger-related charges.

Return on average shareholders' equity was 9.65% and the return on average assets was 0.74% for 2000, compared with 12.42% and 0.97%, respectively, in 1999, and 10.98% and 1.00%, respectively, in 1998. Dividends per share were \$0.89 in 2000, an increase of 23.6% over \$0.72 in 1999, which were up 33.3% from \$0.54 in 1998.

During 1999 the Company acquired Regency Bancorp in a transaction accounted for as a purchase. Results of operations for Regency are included from October 1, 1999. The acquisitions of Vectra Banking Corporation, FP Bancorp, Inc., and The Sumitomo Bank of California during 1998 were accounted for as purchases. The results of operations for Vectra Banking Corporation and FP Bancorp, Inc. were included from the effective dates of acquisition, January 1, 1998 and April 1, 1998, respectively, which resulted in immaterial differences to results of operations. Results of operations for The Sumitomo Bank of California are included from October 1, 1998, the actual date of acquisition. Results of operations cannot be compared directly between periods because of these transactions. The Company's acquisitions and related merger charges are further described in Note 3 of the Notes to Consolidated Financial Statements.

The performance of the Company was driven by a 15.5% growth in average loans and leases and a 9.5% growth in average total earning assets resulting in an 8.4% increase in taxable-equivalent net interest income to \$821.5 million in 2000. Noninterest income, excluding the impairment loss on the First Security Corporation common stock, increased 8.5% to \$289.1 million in 2000, with strong growth in trust income and loans sales and servicing income. Noninterest expense, including merger expenses, increased 5.8% to \$720.8 million in 2000. Excluding merger expenses, noninterest expense increased 3.3% over 1999 to \$675.3 million. The Company's operating cash "efficiency ratio", or noninterest expenses, excluding amortization of goodwill and core deposit intangibles and merger-related expenses, as a percentage of total taxable-equivalent net revenues, improved to 57.5% in 2000, compared to 60.3% in 1999 and 61.3% in 1998.

The Company's provision for loan losses totaled \$31.8 million for 2000, compared to \$18.0 million for 1999 and \$14.0 million for 1998. The increased provision for loan losses for 2000 is mainly the result of the robust loan growth experienced by the Company. Net charge-offs were \$42.4 million, or 0.31% of average loans and leases in 2000, compared to \$29.0 million or 0.25% in 1999 and \$15.8 million or 0.21% in 1998. Nonperforming assets decreased to \$71 million or .49% of loans and other real estate owned as of December 31, 2000 from \$75 million or .58% as of December 31, 1999.

The Company manages its operations and prepares management reports with a primary focus on geographical area. Operating segment information is presented in Schedule 1 and Note 20 of the Notes to Consolidated Financial Statements. The Company allocates centrally provided services to the business segments based upon estimated usage of those services. The operating segment identified as "Other" includes Zions Bancorporation (the Parent), several smaller business units and inter-segment eliminations.

ZIONS FIRST NATIONAL BANK AND SUBSIDIARIES

Zions First National Bank and Subsidiaries (ZFNB) includes the Company's operations in Utah and Idaho. ZFNB experienced strong loan growth in 2000, with loans increasing 19.6% over 1999 to \$4.9 billion. Deposits increased 9.5% during the year to \$4.2 billion. Operating cash earnings were \$107.4 million in 2000, a decrease of 7.2% from \$115.7 million earned in 1999, which were up 30.1% over \$89.0 million earned in 1998. Net income decreased 8.6% to \$104.4 million compared to \$114.2 million for 1999, which was up 31.2% from the \$87.1 million earned in 1998. The decrease in net income for 2000 compared to 1999 results mainly from decreased pre-tax income of \$50.9 million from investments in venture capital entities and increased pre-tax losses of \$7.6 million from a subsidiary, Digital Signature Trust Company. The increase in net income for 1999 compared to 1998 results mainly from a \$27.2 million increase in noninterest income and a \$8.0 million decrease in other noninterest expense. The increase in noninterest income for 1999 compared to 1998 is mainly attributable to gains experienced by a venture capital subsidiary, Wasatch Venture Corporation, and increased income from investments in bank-owned life insurance. The decrease in noninterest expense for 1999 included a \$4.6 million decrease in amortization of mortgage servicing rights resulting from the sale of mortgage servicing rights during the first quarter of 1999.

CALIFORNIA BANK & TRUST

Results of operations for California Bank & Trust for the years presented are not directly comparable because of acquisitions accounted for as purchases during 1999 and 1998. See Note 3 of the Notes to Consolidated Financial Statements for further information about the acquisitions.

Operating cash earnings were \$92.9 million for 2000, up 34.6% from the \$69.0 million earned in 1999, which were up 79.7% from the \$38.4 million earned in 1998. California Bank & Trust reported net income of \$74.1 million for 2000 compared to \$49.4 million for 1999 and \$16.4 million for 1998. In 2000 net loans and leases increased 6.5% to \$4.9 billion and deposits increased 3.0% to \$5.6 billion from year end 1999. Net interest income for 2000 increased \$33.5 million or 12.9% from 1999, while other noninterest income increased \$7.8 million

or 21.7%. Noninterest expense excluding merger-related expense and amortization of intangibles increased a modest 0.8%. The increase in earnings for 1999 compared to 1998 resulted mainly from the acquisitions consummated during those years and increased efficiencies attained during 1999. Net income for 1998 included income only for the last three months of 1998 from the acquisition of The Sumitomo Bank of California. The Bank incurred pre-tax merger charges of \$5.6 million during 2000, \$9.4 million during 1999 and \$27.5 million during 1998.

NEVADA STATE BANK

Operating cash earnings for Nevada State Bank were \$27.5 million for 2000, down 5.2% from the \$29.0 million earned in 1999, which were up 2.5% from \$28.3 million earned in 1998. Net income increased 23.2% to \$22.8 million as compared to \$18.5 million in 1999 and \$27.0 million for 1998. Earnings for 2000 included a provision for loan losses of \$10.1 million compared to provisions of \$3.7 million in both 1999 and 1998, which covered increased credit losses in 2000. During 2000 Nevada State Bank incurred \$5.3 million of pre-tax merger expense related to the terminated First Security Corporation merger and the conversion of Pioneer Bancorporation compared to \$12.6 million of merger-related expense incurred during 1999. Net loans at year end 2000 increased 3.2% from 1999, while total deposits increased 5.9%.

NATIONAL BANK OF ARIZONA

Operating cash earnings at National Bank of Arizona were \$32.0 million for 2000, up 15.9% from the \$27.6 million earned in 1999, which were up 16.5% from the \$23.7 million of cash earnings in 1998. Net income was up 15.4% to \$30.2 million in 2000, compared to \$26.2 million in 1999 and \$22.2 million for 1998. The increases for both 2000 and 1999 were driven by strong loan growth. Net loans increased 22.8% to \$1.5 billion at year end 2000, and net loans increased 19.8% during 1999. Net interest income for 2000 was up 20.0% from 1999. The provision for loan losses was increased to \$3.6 million for 2000, a 48.8% increase from the \$2.4 million provided for in 1999.

VECTRA BANK COLORADO

In January 1998 the Company acquired Vectra Banking Corporation in a transaction accounted for as a purchase. During 1998 the Company also acquired eight smaller banks in Colorado. The acquired banks, along with previously owned Colorado banking organizations, were merged during 1998 under the name of Vectra Bank Colorado, National Association. See Note 3 of the Notes to Consolidated Financial Statements for further information about the acquisitions.

Operating cash earnings for Vectra Bank Colorado were \$18.3 million for 2000, up 18.8% from the \$15.4 million earned in 1999, which were down 13.0% from the \$17.7 million earned in 1998. Net income increased 190.0% to \$5.8 million from \$2.0 million in 1999, which was down 44.4% from the \$3.6 million earned in 1998. Improved earnings for 2000 resulted primarily from improved operating efficiencies. Noninterest expense excluding merger-related expense and amortization of intangibles decreased 4.9%, while net interest income increased 7.2% and noninterest income increased 17.5% from 1999 levels. The provision for loan losses was increased to \$9.1 million for 2000, compared to \$2.6 million for 1999. The increased provision for 2000 was made to cover increased credit losses. The decreased earnings for 1999 compared to 1998 were, in part, attributable to the expenses related to the conversion of acquired banks to Zions' systems.

THE COMMERCE BANK OF WASHINGTON

The Commerce Bank of Washington was acquired in September, 1998 and accounted for as a pooling of interests. Net income for 2000 was \$7.9 million compared to net income of \$5.7 million for 1999. The Bank experienced loan growth of 20.8% for 2000, which contributed to a 26.6% increase in net interest income.

OTHER

Other includes the Parent only and other various nonbanking subsidiaries. The \$61.6 million increase in net loss for 2000, compared to 1999, is mainly due to the recognition of a \$96.9 million pre-tax impairment loss during the first quarter on First Security Corporation common stock and \$28.2 million of pre-tax merger expense mainly related to the terminated First Security Corporation merger, offset in part by gains of \$23.6 million from the subsequent sale of the First Security Corporation common stock. The increased net loss of \$9.1 million for 1999 compared to 1998 is mainly attributable to increased net interest loss incurred by the Company of \$10.4 million related to increased borrowings for the purchase of First Security Corporation common stock and other matters.

INCOME STATEMENT ANALYSIS

NET INTEREST INCOME, MARGIN, AND INTEREST RATE SPREADS

Net interest income on a taxable-equivalent basis is the difference between interest earned on assets and interest paid on liabilities, with adjustments made to present income on assets exempt from income taxes comparable to other taxable income. Changes in the mix and volume of earning assets and interest-bearing liabilities, their related yields and overall

interest rates have a major impact on earnings. In both 2000 and 1999, taxable-equivalent net interest income provided 74.0% of the Company's net revenues, excluding the impairment loss on the First Security Corporation common stock, compared with 73.5% in 1998.

The Company's taxable-equivalent net interest income increased by 8.4% to \$821.5 million in 2000, as compared to \$757.7 million in 1999 and \$583.9 million in 1998. The increased level of taxable-equivalent net interest income was driven by a 9.5% and 37.1% growth in average earning assets for 2000 and 1999, respectively. The Company manages its earnings sensitivity to interest rate movements, in part, by matching the repricing characteristics of its assets and liabilities and, to a lesser extent, through the use of off-balance sheet arrangements such as caps, floors and interest rate exchange contracts. Net interest income from the use of such off-balance sheet arrangements for 2000 was \$2.6 million, compared to \$8.3 million in 1999 and \$6.9 million in 1998.

The increase in net interest income was partially offset by the continued securitization and sale of loans. Securitized loan sales convert net interest income from loans to gains on loan sales and servicing revenue reported in noninterest income. Loan sales improve the Company's liquidity, limit its exposure to credit losses, and may reduce its capital requirements.

The net interest margin, the ratio of taxable-equivalent net interest income to average earning assets, was 4.27% in 2000, 4.31% in 1999 and 4.56% in 1998. The decrease in the margins for 2000 and 1999 was primarily due to continued robust loan growth financed by short-term funding sources instead of traditional core deposit growth previously experienced by the Company.

Schedule 2 analyzes the average balances, the amount of interest earned or paid, and the applicable rates for the various categories of earning assets and interest-bearing funds that represent the components of net interest income. Schedule 3 analyzes the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years shown. In the schedules, the principal amounts of nonaccrual and renegotiated loans have been included in the average loan balances used to determine the rate earned on loans. Interest income on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. Interest on restructured loans is generally accrued at reduced rates. The incremental tax rate used for calculating the taxable-equivalent adjustment was 35% for all years presented.

SCHEDULE 1 OPERATING SEGMENTS INFORMATION

	Zions First National Bank and Subsidiaries			California Bank & Trust			Nevada State Bank and Subsidiaries		
(Amounts in millions)	2000	1999	% Change	2000	1999	% Change	2000	1999	% Change
CONDENSED INCOME STATEMENT									
Net interest income	\$ 227.1	\$ 220.0	3%	\$ 297.2	\$ 263.7	13%	\$ 101.7	\$ 99.9	2%
Noninterest income	152.0	169.9	(11)	43.6	35.8	22	23.5	23.9	(2)
Total revenue	379.1	389.9	(3)	340.8	299.5	14	125.2	123.8	1
Provision for loan losses	8.2	9.0	(9)	-	-	-	10.1	3.7	173
Noninterest expense ¹	219.2	208.1	5	183.6	182.1	1	74.2	78.5	(5)
Pretax cash earnings	151.7	172.8	(12)	157.2	117.4	34	40.9	41.6	(2)
Income tax expense (benefit)	46.4	54.0	(14)	64.3	48.4	33	13.4	12.6	6
Minority interest	(2.1)	3.1	(168)	-	-	-	-	-	-
Cash earnings ¹	107.4	115.7	(7)	92.9	69.0	35	27.5	29.0	(5)
Merger expense	2.6	0.2	1,200	5.6	9.4	(40)	5.3	12.6	(58)
Impairment loss on First Security Corporation common stock	-	-	-	-	-	-	-	-	-
Amortization of goodwill and core deposit intangibles	1.9	1.9	-	18.1	16.5	10	1.5	1.5	-
Minority interest adjustment	-	-	-	-	-	-	-	-	-
Income tax (benefit)	(1.5)	(0.6)	(150)	(4.9)	(6.3)	22	(2.1)	(3.6)	42
Net income (loss)	\$ 104.4	\$ 114.2	(9)%	\$ 74.1	\$ 49.4	50%	\$ 22.8	\$ 18.5	23%
YEAR-END BALANCE SHEET DATA									
Total assets	\$ 8,095	\$ 7,157	13%	\$ 6,953	\$ 6,567	6%	\$ 2,374	\$ 2,277	4%
Net loans and leases	4,885	4,085	20	4,856	4,559	7	1,383	1,341	3
Allowance for loan losses	61	65	(6)	71	86	(17)	17	14	21
Goodwill and core deposit intangibles	19	21	(10)	307	325	(6)	25	27	(7)
Total deposits	4,173	3,809	10	5,589	5,426	3	1,993	1,882	6
Common equity	460	444	4	714	679	5	176	163	8
OPERATING CASH									
PERFORMANCE RATIOS¹									
Return on average assets	1.30%	1.60%		1.45%	1.15%		1.19%	1.30%	
Return on average common equity	25.31%	29.26%		23.88%	20.30%		19.35%	22.10%	
Efficiency ratio	56.24%	52.25%		53.65%	60.52%		58.48%	61.71%	
OTHER INFORMATION									
Full-time equivalent employees	1,909	1,822		1,703	1,659		701	803	
Domestic offices:									
Traditional branches	93	91		75	74		29	31	
Banking centers in grocery stores	49	46		-	-		31	27	
Foreign office	1	1		-	-		-	-	
Total offices	143	138		75	74		60	58	
ATMs	211	207		88	84		84	73	

¹Before amortization of goodwill and core deposit intangible assets and merger expense.

National Bank of Arizona			Vectra Bank Colorado			The Commerce Bank of Washington			Other			Consolidated Company		
2000	1999	% Change	2000	1999	% Change	2000	1999	% Change	2000	1999	% Change	2000	1999	% Change
\$ 92.3	\$ 76.9	20%	\$ 89.1	\$ 83.1	7%	\$ 20.0	\$ 15.8	27%	\$ (24.0)	\$ (17.9)	(34)%	\$ 803.4	\$ 741.5	8%
14.1	13.0	8	20.2	17.2	17	1.5	0.7	114	34.2	6.0	470	289.1	266.5	8
106.4	89.9	18	109.3	100.3	9	21.5	16.5	30	10.2	(11.9)	186	1,092.5	1,008.0	8
3.6	2.4	50	9.1	2.6	250	0.8	0.6	33	-	(0.3)	100	31.8	18.0	77
50.4	42.9	17	72.5	74.8	(3)	8.8	7.4	19	29.5	24.0	23	638.2	617.8	3
52.4	44.6	17	27.7	22.9	21	11.9	8.5	40	(19.3)	(35.6)	46	422.5	372.2	14
20.4	17.0	20	9.4	7.5	25	4.0	2.8	43	(19.2)	(18.8)	(2)	138.7	123.5	12
-	-	-	-	-	-	-	-	-	4.5	2.8	61	2.4	5.9	(59)
32.0	27.6	16	18.3	15.4	19	7.9	5.7	39	(4.6)	(19.6)	77	281.4	242.8	16
0.5	-	-	0.5	1.6	(69)	-	-	-	31.0	3.9	695	45.5	27.7	64
-	-	-	-	-	-	-	-	-	96.9	-	-	96.9	-	-
1.8	1.8	-	13.2	13.7	(4)	-	-	-	0.7	0.6	17	37.2	36.0	3
-	-	-	-	-	-	-	-	-	(0.9)	(1.0)	10	(0.9)	(1.0)	10
(0.5)	(0.4)	(25)	(1.2)	(1.9)	37	-	-	-	(48.8)	(1.2)	(3,967)	(59.0)	(14.0)	(321)
\$ 30.2	\$ 26.2	15%	\$ 5.8	\$ 2.0	190%	\$ 7.9	\$ 5.7	39%	\$ (83.5)	\$ (21.9)	(281)%	\$ 161.7	\$ 194.1	(17)%
\$ 1,944	\$ 1,600	22%	\$ 2,156	\$ 2,161	-	\$ 553	\$ 408	36%	\$ (136)	\$ 111	(223)%	\$ 21,939	\$ 20,281	8%
1,489	1,213	23	1,475	1,373	7%	242	200	21	48	20	140	14,378	12,791	12
23	18	28	18	18	-	4	3	33	2	-	-	196	204	(4)
23	25	(8)	244	257	(5)	-	-	-	23	11	109	641	666	(4)
1,551	1,206	29	1,385	1,490	(7)	405	289	40	(26)	(40)	35	15,070	14,062	7
161	131	23	390	384	2	33	25	32	(155)	(166)	7	1,779	1,660	7
1.87%	1.86%		0.96%	0.81%		1.78%	1.54%					1.34%	1.26%	
25.69%	27.42%		13.36%	12.64%		27.79%	24.30%					27.40%	26.77%	
46.81%	46.97%		65.64%	73.51%		40.57%	44.30%					57.46%	60.33%	
619	561		874	955		52	50		1,057	983		6,915	6,833	
41	37		50	51		1	1		-	-		289	285	
-	-		4	4		-	-		-	-		84	77	
-	-		-	-		-	-		-	-		1	1	
41	37		54	55		1	1		-	-		374	363	
38	30		88	90		-	-		-	-		509	484	

SCHEDULE 2
DISTRIBUTION OF ASSETS, LIABILITIES, AND SHAREHOLDERS' EQUITY
AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Amounts in millions)	2000			1999		
	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
ASSETS:						
Money market investments	\$ 1,061	\$ 67.4	6.35%	\$ 1,185	\$ 67.2	5.67%
Securities:						
Held to maturity	3,254	222.1	6.83%	3,277	204.6	6.24%
Available for sale	685	44.8	6.53%	741	42.4	5.72%
Trading account	574	36.3	6.32%	538	30.1	5.59%
Total securities	4,513	303.2	6.72%	4,556	277.1	6.08%
Loans:						
Loans held for sale	192	14.5	7.52%	178	12.2	6.85%
Net loans and leases ²	13,457	1,259.2	9.36%	11,641	1,019.0	8.75%
Total loans	13,649	1,273.7	9.33%	11,819	1,031.2	8.72%
Total interest-earning assets	\$ 19,223	\$ 1,644.3	8.55%	\$ 17,560	\$ 1,375.5	7.83%
Cash and due from banks	826			856		
Allowance for loan losses	(203)			(211)		
Goodwill and core deposit intangibles	648			655		
Other assets	1,228			1,052		
Total assets	\$ 21,722			\$ 19,912		
LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW deposits	\$ 1,783	\$ 40.0	2.24%	\$ 1,812	\$ 44.1	2.43%
Money market and super NOW deposits	6,210	289.4	4.66%	5,521	203.6	3.69%
Time deposits under \$100,000	1,719	87.7	5.10%	2,085	98.5	4.72%
Time deposits \$100,000 or more	1,408	80.4	5.71%	1,257	61.1	4.86%
Foreign deposits	138	6.3	4.56%	165	7.2	4.36%
Total interest-bearing deposits	11,258	503.8	4.48%	10,840	414.5	3.82%
Borrowed funds:						
Securities sold, not yet purchased	311	19.7	6.32%	271	15.6	5.76%
Federal funds purchased and security repurchase agreements	2,747	159.7	5.81%	2,369	108.5	4.58%
Commercial paper	316	20.7	6.55%	194	10.8	5.57%
FHLB advances and other borrowings:						
Less than one year	1,161	76.2	6.56%	545	28.5	5.23%
Over one year	140	8.5	6.06%	76	4.8	6.32%
Long-term debt	429	34.2	7.98%	453	35.1	7.75%
Total borrowed funds	5,104	319.0	6.25%	3,908	203.3	5.20%
Total interest-bearing liabilities	\$ 16,362	\$ 822.8	5.03%	\$ 14,748	\$ 617.8	4.19%
Noninterest-bearing deposits	3,316			3,249		
Other liabilities	329			316		
Total liabilities	20,007			18,313		
Minority interest	40			37		
Total shareholders' equity	1,675			1,562		
Total liabilities and shareholders' equity	\$ 21,722			\$ 19,912		
Spread on average interest-bearing funds			3.52%			3.64%
Net interest income and net yield on interest-earning assets		\$ 821.5	4.27%		\$ 757.7	4.31%

¹Taxable-equivalent rates used where applicable.

²Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.

1998			1997			1996		
Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
\$ 1,629	\$ 92.3	5.67%	\$ 1,558	\$ 88.3	5.67%	\$ 946	\$ 52.9	5.59%
2,271	154.8	6.82%	1,790	126.5	7.07%	1,314	93.9	7.15%
849	48.6	5.72%	671	46.0	6.86%	566	38.7	6.84%
430	24.0	5.58%	276	16.2	5.87%	156	9.2	5.90%
3,550	227.4	6.41%	2,737	188.7	6.89%	2,036	141.8	6.96%
202	14.3	7.08%	163	11.9	7.30%	151	11.5	7.62%
7,430	708.8	9.54%	4,384	437.6	9.98%	3,409	340.5	9.99%
7,632	723.1	9.47%	4,547	449.5	9.89%	3,560	352.0	9.89%
\$ 12,811	\$ 1,042.8	8.14%	\$ 8,842	\$ 726.5	8.22%	\$ 6,542	\$ 546.7	8.36%
657			471			368		
(132)			(81)			(75)		
573			132			31		
488			341			257		
\$ 14,397			\$ 9,705			\$ 7,123		
\$ 1,338	\$ 39.4	2.94%	\$ 860	\$ 24.6	2.86%	\$ 730	\$ 21.7	2.97%
3,712	134.5	3.62%	2,532	100.5	3.97%	2,017	78.9	3.91%
1,651	85.7	5.19%	866	44.9	5.18%	713	37.2	5.22%
894	49.3	5.51%	310	18.0	5.81%	223	12.8	5.74%
182	8.2	4.51%	142	6.4	4.51%	121	5.4	4.46%
7,777	317.1	4.08%	4,710	194.4	4.13%	3,804	156.0	4.10%
202	10.0	4.95%	92	5.3	5.76%	77	4.5	5.84%
1,908	90.5	4.74%	2,206	114.7	5.20%	1,358	67.9	5.00%
28	1.6	5.71%	-	-		-		
63	4.0	6.35%	34	2.4	7.06%	18	1.3	7.22%
114	6.6	5.79%	136	8.2	6.03%	79	4.8	6.08%
347	29.1	8.39%	253	22.4	8.85%	58	5.2	8.97%
2,662	141.8	5.33%	2,721	153.0	5.62%	1,590	83.7	5.26%
\$ 10,439	\$ 458.9	4.40%	\$ 7,431	\$ 347.4	4.68%	\$ 5,394	\$ 239.7	4.44%
2,448			1,439			1,098		
196			158			107		
13,083			9,028			6,599		
9			-			-		
1,305			677			524		
\$ 14,397			\$ 9,705			\$ 7,123		

SCHEDULE 3 ANALYSIS OF INTEREST CHANGES DUE TO VOLUME AND RATE

(Amounts in millions)	2000 over 1999			1999 over 1998		
	Changes due to		Total changes	Changes due to		Total changes
	Volume	Rate ¹		Volume	Rate ¹	
INTEREST-EARNING ASSETS:						
Money market investments	\$ (6.9)	\$ 7.1	\$ 0.2	\$ (25.3)	\$ 0.2	\$ (25.1)
Securities:						
Held to maturity	(1.6)	19.1	17.5	62.9	(13.1)	49.8
Available for sale	(3.2)	5.6	2.4	(6.1)	(0.1)	(6.2)
Trading account	2.1	4.1	6.2	6.1	-	6.1
Total securities	(2.7)	28.8	26.1	62.9	(13.2)	49.7
Loans:						
Loans held for sale	1.0	1.2	2.2	(1.6)	(0.5)	(2.1)
Net loans and leases ²	166.2	74.0	240.2	368.9	(58.7)	310.2
Total loans	167.2	75.2	242.4	367.3	(59.2)	308.1
Total interest-earning assets	\$ 157.6	\$ 111.1	\$ 268.7	\$ 404.9	\$ (72.2)	\$ 332.7
INTEREST-BEARING LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW deposits	\$ (0.6)	\$ (3.5)	\$ (4.1)	\$ 11.5	\$ (6.8)	\$ 4.7
Money market and super NOW deposits	27.7	58.1	85.8	66.6	2.5	69.1
Time deposits under \$100,000	(17.4)	6.6	(10.8)	20.6	(7.8)	12.8
Time deposits \$100,000 or more	7.9	11.4	19.3	17.7	(5.9)	11.8
Foreign deposits	(1.2)	0.3	(0.9)	(0.7)	(0.3)	(1.0)
Total interest-bearing deposits	16.4	72.9	89.3	115.7	(18.3)	97.4
Borrowed funds:						
Securities sold, not yet purchased	2.4	1.6	4.0	3.8	1.8	5.6
Federal funds purchased and security repurchase agreements	19.1	32.1	51.2	21.1	(3.1)	18.0
Commercial paper	7.7	2.2	9.9	9.3	(0.1)	9.2
FHLB advances and other borrowings:						
Less than one year	38.9	8.8	47.7	25.2	(0.7)	24.5
Over one year	3.9	(0.2)	3.7	(2.2)	0.4	(1.8)
Long-term debt	(1.8)	0.9	(0.9)	8.1	(2.1)	6.0
Total borrowed funds	70.2	45.4	115.6	65.3	(3.8)	61.5
Total interest-bearing liabilities	\$ 86.6	\$ 118.3	\$ 204.9	\$ 181.0	\$ (22.1)	\$ 158.9
Change in net interest income	\$ 71.0	\$ (7.2)	\$ 63.8	\$ 223.9	\$ (50.1)	\$ 173.8

¹Taxable-equivalent income used where applicable.

²Net of unearned income and fees. Loans include nonaccrual and restructured loans.

In the analysis of interest changes due to volume and rate, the changes due to the volume/rate variance have been allocated to volume with the following exceptions: when volume and rate have both increased, the variance has been allocated proportionately to both volume and rate; when the rate has increased and volume has decreased, the variance has been allocated to rate.

PROVISION FOR LOAN LOSSES

The provision for loan losses reflects management's judgment of the expense to be recognized in order to maintain an adequate allowance for loan losses. See the discussion on allowance for loan losses under Risk Elements. The provision for loan losses was \$31.8 million in 2000, compared to \$18.0 million in 1999 and \$14.0 million in 1998. The provision was .23% of average loans for 2000, .15% in 1999 and .18% for 1998.

NONINTEREST INCOME

Noninterest income, excluding the impairment loss recognized on the First Security Corporation common stock, comprised 26.5% of net revenue in 2000, compared to 26.4% in 1999 and 26.8% in 1998. Noninterest income excluding the impairment loss was \$289.1 million in 2000, an increase of 8.5% over \$266.5 million in 1999, which was up 26.8% over \$210.2 million in 1998. Noninterest income from The Sumitomo Bank of California for 1998 included only income for the last quarter of the year, following the acquisition. Schedule 4 shows the major components of noninterest income.

SCHEDULE 4 NONINTEREST INCOME

(Amounts in millions)	2000	Percent change	1999	Percent change	1998	Percent change	1997	Percent change	1996
Service charges on deposit accounts	\$ 78.3	2.0%	\$ 76.8	25.7%	\$ 61.1	36.7%	\$ 44.7	25.6%	\$ 35.6
Other service charges, commissions and fees	65.3	(1.2)	66.1	16.0	57.0	39.4	40.9	32.8	30.8
Trust income	18.2	15.2	15.8	43.6	11.0	35.8	8.1	37.3	5.9
Investment securities gains (losses), net	14.8	593.3	(3.0)	(173.2)	4.1	355.6	0.9	800.0	0.1
Impairment loss on First Security Corporation common stock	(96.9)	-	-	-	-	-	-	-	-
Underwriting and trading income	10.1	(12.2)	11.5	25.0	9.2	61.4	5.7	111.1	2.7
Loan sales and servicing income	51.7	27.7	40.5	(19.6)	50.4	30.2	38.7	10.3	35.1
Other income	50.7	(13.8)	58.8	237.9	17.4	87.1	9.3	27.4	7.3
Total	\$ 192.2	(27.9)%	\$ 266.5	26.8%	\$ 210.2	41.7%	\$ 148.3	26.2%	\$ 117.5

Service charges for 2000, compared with 1999, were relatively flat, reflecting the modest deposit growth experienced by the Company during 2000 and a competitive service charge environment in the Company's markets. The 25.7% increase in deposit service charges for 1999, compared to 1998, resulted from the increase of the Company's deposit base through acquisitions and internal growth and the inclusion of fees from the 1998 acquisition of The Sumitomo Bank of California for only the last quarter of 1998.

Other service charges, commissions and fees, which include investment, brokerage and fiscal agent fees, electronic delivery system fees, insurance commissions, merchant fee income and other miscellaneous fees, were \$65.3 million in 2000, down 1.2% from the \$66.1 million of fees earned in 1999, which were up 16.0% from 1998. The decrease in fees for 2000 results from a decrease in brokerage and fiscal agent fees of \$1.1 million and a decrease in commissions and fees from insurance products of \$1.4 million.

Trust income for 2000 was up 15.2% over 1999, which was up 43.6% over 1998. The Company has significantly expanded its trust services in Arizona and Colorado. Investment securities gains for 2000 include gains of \$23.6 million on the sale of First Security Corporation common stock and an impairment loss of \$13.4 million on a technology company investment by the Company's venture funding group.

Underwriting and trading income decreased 12.2% to \$10.1 million in 2000 from \$11.5 million in 1999, which was up 25.0% over \$9.2 million earned in 1998. The decrease for 2000 reflects the slow-down in capital markets transactions. During 1998, the Company commenced the provision of online executable government bond sales using Bloomberg and the Internet, which resulted in increased revenues for 1999 and 1998.

Loan sales and servicing income increased 27.7% in 2000 to \$51.7 million over \$40.5 million in 1999, which was down 19.6% from \$50.4 million in 1998. The increase for 2000 over 1999 resulted mainly from gains and servicing fees from SBA 504 loan securitizations completed during 2000 and 1999. The decrease in loan sales and servicing income for 1999 was the result of a Company decision to decrease its mortgage origination and servicing activities, resulting in decreased loan servicing income and gains on sales as well as decreased expense.

Other income, which includes income from investments in bank-owned life insurance, income recognized on nonmarketable equity securities from the Company's venture funding operations, income from unconsolidated subsidiaries and associated companies, net gains on sales of fixed assets and other assets, and other items, was \$50.7 million in 2000, a decrease of 13.8% from 1999, which was up \$41.4 million or 237.9% from 1998. The significant increase for 1999 was mainly due to increased income from venture funding operations. Included in other noninterest income for 1999 was \$42.6 million of income from the Company's venture funding operations. During 1999, the Company also recognized impairment and other losses related to SBA interest-only strips of \$8.3 million.

NONINTEREST EXPENSE

The Company's noninterest expense was \$720.8 million in 2000, an increase of 5.8% over \$681.6 million in 1999, which was up 22.4% over the \$556.7 million in 1998. Included in 2000, 1999 and 1998 expense was \$45.5 million, \$27.7 million and \$38.1 million, respectively, in merger-related expenses. Excluding merger-related expense and amortization of goodwill and core deposit intangibles, noninterest expense increased 3.3% for 2000 compared to 1999. Schedule 5 shows the major components of noninterest expense.

SCHEDULE 5 NONINTEREST EXPENSE

(Amounts in millions)	2000	Percent change	1999	Percent change	1998	Percent change	1997	Percent change	1996
Salaries and benefits	\$ 348.3	0.5%	\$ 346.7	32.6%	\$ 261.5	58.6%	\$ 164.9	25.9%	\$ 131.0
Occupancy, net	51.7	4.7	49.4	47.9	33.4	85.6	18.0	33.3	13.5
Furniture and equipment	52.7	16.1	45.4	18.5	38.3	56.3	24.5	41.6	17.3
Other real estate expense (income)	0.3	400.0	(0.1)	(114.3)	0.7	133.3	0.3	250.0	(0.2)
Legal and professional services	19.7	21.6	16.2	(0.6)	16.3	101.2	8.1	50.0	5.4
Supplies	11.0	(1.8)	11.2	(5.9)	11.9	41.7	8.4	23.5	6.8
Postage	10.9	(6.8)	11.7	6.4	11.0	50.7	7.3	23.7	5.9
Advertising	25.4	37.3	18.5	46.8	12.6	70.3	7.4	27.6	5.8
FDIC premiums	3.4	54.5	2.2	46.7	1.5	114.3	0.7	-	-
Merger-related expense	45.5	64.3	27.7	(27.3)	38.1	4,662.5	0.8	-	-
Amortization of goodwill and core deposit intangibles	37.2	3.3	36.0	13.6	31.7	346.5	7.1	208.7	2.3
Other expenses	114.7	(1.7)	116.7	17.1	99.7	52.4	65.4	25.8	52.0
Total	\$ 720.8	5.8%	\$ 681.6	22.4%	\$ 556.7	77.9%	\$ 312.9	30.5%	\$ 239.8

The increase in furniture and equipment expense for 2000 compared to 1999 includes increased expenses related to upgrading branch and administrative facilities of California Bank & Trust branches and increased expenses related to technology upgrades, including Internet security and authentication systems. The increased advertising expense for 2000 reflects efforts to promote Internet banking products and reestablish the Company's presence in critical markets subsequent to the terminated merger with First Security Corporation.

In 1999 salaries and employee benefits increased primarily as a result of increased staffing from acquisitions and the opening of new offices, as well as general salary increases and bonuses which are based on increased profitability. The occupancy, furniture and equipment expense increase resulted primarily from the addition of office facilities, installation of personal computers and local area networks, and expenses related to technology initiatives. The increase in all other expenses resulted primarily from increases related to acquisitions and expansion and increased expenditures in selected areas to enhance revenue growth. Also, expenses for 1998 only include operations of The Sumitomo Bank of California for the last quarter of the year, since the bank was acquired in a purchase transaction on October 1, 1998.

On December 31, 2000, the Company had 6,915 full-time equivalent employees and 373 domestic offices compared to 6,833 employees and 362 offices at year-end 1999 and 7,099 full-time equivalent employees and 345 offices at year-end 1998.

The Company's operating cash "efficiency ratio", or noninterest expenses, excluding amortization of goodwill and core deposit intangibles and merger-related expenses, as a percentage of total taxable-equivalent net revenues, improved to 57.5% in 2000, compared to 60.3% in 1999 and 61.3% in 1998.

INCOME TAXES

The Company's income tax expense for 2000 was \$79.7 million, compared to \$109.5 million in 1999 and \$69.6 million in 1998.

The Company's effective income tax rate was 32.8% in 2000; 35.5% in 1999 and 32.6% in 1998. The lower effective tax rate for 2000 results mainly from a higher percentage of nontaxable income and a reduction in nondeductible merger-related expenses. The higher rate for 1999 is mainly due to a higher percentage of the Company's income being generated in states with higher tax rates and increased nondeductible goodwill amortization. The lower effective tax rate for 1998 resulted primarily from decisions regarding a corporate reorganization.

BALANCE SHEET ANALYSIS

EARNING ASSETS

Earning assets consist of money market investments, securities and loans. A comparative average balance sheet report, including earning assets, is presented in Schedule 2.

Average earning assets increased 9.5% to \$19,223 million in 2000, compared to \$17,560 million in 1999. Earning assets comprised 88.5% of total average assets in 2000, compared with 88.2% in 1999.

Average money market investments, consisting of interest-bearing deposits, federal funds sold and security resell agreements, decreased 10.5% to \$1,061 million in 2000, compared to \$1,185 million in 1999.

Average securities decreased .9% to \$4,513 million in 2000, compared to \$4,556 million in 1999. Average held-to-maturity

securities decreased .7% to \$3,254 million, available-for-sale securities decreased 7.6% to \$685 million, and trading account securities increased 6.7% to \$574 million.

Average net loans and leases increased 15.5% to \$13,649 million in 2000, compared to \$11,819 million in 1999, representing 71.0% of earning assets in 2000 compared to 67.3% in 1999. Average net loans and leases were 93.7% of average total deposits in 2000, as compared to 83.9% in 1999.

INVESTMENT SECURITIES PORTFOLIO

Schedule 6 presents the Company's year-end investment securities on December 31, 2000, 1999, and 1998. Schedule 7 presents the Company's maturities and average yields on securities on December 31, 2000. See Note 4 of the Notes to Consolidated Financial Statements for additional information about securities.

SCHEDULE 6 INVESTMENT SECURITIES PORTFOLIO

	December 31,					
	2000		1999		1998	
	Amortized cost	Market value	Amortized cost	Market value	Amortized cost	Market value
<i>(Amounts in millions)</i>						
HELD TO MATURITY:						
U.S. Treasury securities	\$ 1	\$ 1	\$ 1	\$ 1	\$ 63	\$ 63
U.S. government agencies and corporations:						
Small Business						
Administration loan- backed securities	560	563	440	445	358	356
Other agency securities	1,269	1,285	1,270	1,233	940	944
States and political subdivisions	292	296	314	309	331	340
Mortgage-backed securities	1,003	1,008	1,305	1,303	1,159	1,166
	3,125	3,153	3,330	3,291	2,851	2,869
AVAILABLE FOR SALE:						
U.S. Treasury securities	51	52	93	93	98	100
U.S. government agencies and corporations	94	94	51	50	362	346
States and political subdivisions	185	190	102	97	67	68
Mortgage- and other asset-backed securities	274	273	147	143	179	180
	604	609	393	383	706	694
Equity securities:						
Mutual funds:						
Accessor Funds, Inc.	159	160	141	139	117	118
Other stock	18	13	242	257	137	142
	177	173	383	396	254	260
	781	782	776	779	960	954
Total	\$ 3,906	\$ 3,935	\$ 4,106	\$ 4,070	\$ 3,811	\$ 3,823

SCHEDULE 7
MATURITIES AND AVERAGE YIELDS ON SECURITIES
ON DECEMBER 31, 2000

(Amounts in millions)	Total securities		Within one year		After one but within five years		After five but within ten years		After ten years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*
HELD TO MATURITY:										
U.S. Treasury securities	\$ 1	6.2%	\$ 1	6.2%	\$ -		\$ -		\$ -	
U.S. government agencies and corporations:										
Small Business										
Administration loan- backed securities	560	8.2%	49	8.1%	354	8.1%	82	8.3%	75	8.3%
Other agency securities	1,269	6.4%	33	6.2%	1,057	6.2%	41	7.3%	138	7.7%
States and political subdivisions	292	8.3%	59	8.3%	108	8.3%	63	8.3%	62	8.3%
Mortgage-backed securities	1,003	6.8%	295	6.8%	590	6.8%	65	7.2%	53	7.1%
	<u>3,125</u>	<u>7.0%</u>	<u>437</u>	<u>7.1%</u>	<u>2,109</u>	<u>6.8%</u>	<u>251</u>	<u>7.9%</u>	<u>328</u>	<u>7.8%</u>
AVAILABLE FOR SALE:										
U.S. Treasury securities	51	5.9%	21	5.1%	28	6.4%	2	6.5%	-	
U.S. government agencies and corporations:	94	6.1%	8	6.2%	86	6.1%	-		-	
States and political subdivisions	185	8.6%	30	9.0%	50	8.6%	54	8.1%	51	8.9%
Mortgage- and other asset-backed securities	274	7.1%	10	7.0%	46	6.7%	59	6.4%	159	7.5%
	<u>604</u>	<u>7.3%</u>	<u>69</u>	<u>7.2%</u>	<u>210</u>	<u>6.9%</u>	<u>115</u>	<u>7.2%</u>	<u>210</u>	<u>7.8%</u>
Equity securities:										
Mutual funds:										
Accessor Funds, Inc.	159	6.2%	-		-		-		159	6.2%
Other stock	18	1.0%	-		-		-		18	1.0%
	<u>177</u>	<u>5.7%</u>	<u>-</u>		<u>-</u>		<u>-</u>		<u>177</u>	<u>5.7%</u>
	<u>781</u>	<u>6.9%</u>	<u>69</u>	<u>7.2%</u>	<u>210</u>	<u>6.9%</u>	<u>115</u>	<u>7.2%</u>	<u>387</u>	<u>6.9%</u>
Total	\$ 3,906	7.0%	\$ 506	7.1%	\$ 2,319	6.8%	\$ 366	7.6%	\$ 715	7.3%

*Taxable-equivalent rates used where applicable.

LOAN PORTFOLIO

During 2000, the Company consummated securitized loan sales of automobile loans, credit card receivables, home equity credit lines, Small Business Administration (SBA) and Federal Agricultural Mortgage Corporation ("Farmer Mac") loans totaling \$1,141 million. The Company also sold \$533 million of long-term residential mortgage loans, SBA loans, Farmer Mac loans, and student loans classified as held for sale. After these sales, gross loans and leases on December 31, 2000

totaled \$14,458 million, an increase of 12.5% compared to \$12,853 million on December 31, 1999.

Schedule 8 sets forth the amount of loans outstanding by type on December 31 for the years indicated and the maturity distribution and sensitivity to changes in interest rates of the portfolio on December 31, 2000.

SCHEDULE 8 LOAN PORTFOLIO BY TYPE

(Amounts in millions)	December 31, 2000				December 31,			
	One year or less	One year through five years	Over five years	Total	1999	1998	1997	1996
Loans held for sale	\$ 145	\$ 11	\$ 25	\$ 181	\$ 205	\$ 232	\$ 179	\$ 150
Commercial, financial and agricultural	1,369	1,701	545	3,615	3,036	2,844	1,406	949
Real estate:								
Construction	1,026	1,221	26	2,273	1,722	960	576	387
Other:								
Home equity credit line	30	27	206	263	232	232	165	188
1-4 family residential	278	297	2,336	2,911	2,503	2,207	742	560
Other real estate-secured	482	1,058	2,650	4,190	4,168	3,894	1,678	1,213
	1,816	2,603	5,218	9,637	8,625	7,293	3,161	2,348
Consumer:								
Bankcard	93	42	-	135	107	99	73	47
Other	102	269	101	472	490	472	417	286
	195	311	101	607	597	571	490	333
Lease financing	16	213	88	317	275	214	176	160
Foreign loans	3	16	7	26	53	44	-	-
Other receivables	69	3	3	75	62	72	95	41
Total loans	\$ 3,613	\$ 4,858	\$ 5,987	\$ 14,458	\$12,853	\$11,270	\$ 5,507	\$ 3,981
Loans maturing in more than one year:								
With fixed interest rates		\$ 1,638	\$ 2,989	\$ 4,627				
With variable interest rates		3,220	2,998	6,218				
Total		\$ 4,858	\$ 5,987	\$ 10,845				

SOLD LOANS BEING SERVICED

On December 31, 2000, long-term first mortgage real estate loans serviced for others amounted to \$198 million, compared to \$237 million on December 31, 1999, and \$1,995 million on December 31, 1998. During 1999, the Company merged Zions Mortgage Company, its wholly owned mortgage company, into Zions First National Bank and sold most of its mortgage servicing and outsourced servicing retained on long-term first mortgage real estate loans.

Consumer and other loan securitizations serviced, which relate primarily to loans sold under revolving securitization structures, totaled \$1,750 million, \$1,252 million, and \$1,040 million on December 31, 2000, 1999 and 1998, respectively.

Schedule 9 summarizes the Company's activity in its portfolio of sold loans being serviced (excluding long-term first mortgage real estate loans).

SCHEDULE 9 SOLD LOANS BEING SERVICED

	2000		1999		1998	
	Sales	Outstanding at year end	Sales	Outstanding at year end	Sales	Outstanding at year end
<i>(Amounts in millions)</i>						
Auto loans	\$ 164	\$ 310	\$ 195	\$ 326	\$ 198	\$ 345
Home equity credit lines	248	312	255	274	261	261
Bankcard receivables	169	61	194	67	282	134
Home refinance loans	-	6	-	10	-	23
SBA 504 loans	494	722	212	275	-	100
SBA 7(a) loans	1	52	15	67	33	73
Farmer Mac	65	287	111	233	110	104
Total	\$ 1,141	\$ 1,750	\$ 982	\$ 1,252	\$ 884	\$ 1,040

DEPOSITS AND BORROWED FUNDS

Total deposits increased 7.2% to \$15,070 million on December 31, 2000, as compared to \$14,062 million on December 31, 1999. Comparing December 31, 2000 to December 31, 1999, demand deposits increased 9.4%, savings and money market deposits increased 8.0%, and time deposits under \$100,000 decreased 11.3%, while time deposits over \$100,000 increased 34.3% and foreign deposits decreased 35.0%.

As derived from Schedule 2, total average deposits increased 3.4% to \$14,574 million in 2000 from \$14,089 million in 1999. Average noninterest-bearing deposits increased 2.1%, average savings and NOW deposits decreased 1.6%, average money market and super NOW deposits increased 12.5%, and average time deposits under \$100,000 decreased 17.6%. Average time deposits over \$100,000 increased 12.0% over 1999 average balances, and average foreign deposits decreased 16.4% for 2000, as compared with 1999.

See Notes 9, 10 and 11 of the Notes to Consolidated Financial Statements and the discussion under Liquidity Risk Management for information on borrowed funds.

CAPITAL

The Company's basic financial objective is to consistently produce superior risk-adjusted returns on its shareholders' capital. The Company believes that a strong capital position is vital to continued profitability and to promote depositor and investor confidence. The Company's goal is to steadily achieve a high return on shareholders' equity, while at the same time maintaining "risk-based capital" of not less than the "well-capitalized" threshold, as defined by federal banking regulators.

Total shareholders' equity on December 31, 2000 was \$1,779 million, an increase of 7.2% over total shareholders' equity of \$1,660 million on December 31, 1999. The ratio of average equity to average assets for 2000 was 7.71%, compared to 7.85% for 1999.

During 2000, 1999 and 1998, the Company repurchased and retired 80,174, 115,769 and 591,009 shares of its common stock at a cost of \$3.9 million, \$6.7 million and \$25.7 million, respectively.

On December 31, 2000, the Company's Tier 1 leverage ratio was 6.38%, as compared to 6.16% on December 31, 1999. On December 31, 2000, the Company's Tier 1 risk-based capital ratio was 8.53%, as compared to 8.64% on December 31, 1999.

On December 31, 2000, the Company's total risk-based capital ratio was 10.83%, as compared to 11.29% on December 31, 1999. Regulatory minimum capital adequacy ratios for Tier 1 leverage, Tier 1 risk-based capital and total risk-based capital are 3%, 4% and 8%, respectively. Ratios to be considered well-capitalized are 5%, 6% and 10%, respectively. See Note 17 of the Notes to Consolidated Financial Statements for additional information on risk-based capital.

DIVIDENDS

Dividends per share were \$.89 in 2000, an increase of 23.6% over \$.72 in 1999, which were up 33.3% over \$.54 in 1998. The Company's quarterly dividend rate was \$.12 for the first quarter of 1998, increasing to \$.14 per share for the second, third and fourth quarters of 1998 and the first quarter of 1999. For the second and third quarters of 1999 the dividend rate was increased to \$.29 per share to bring it into parity with the dividend rate of First Security Corporation. No dividend was declared during the fourth quarter of 1999. Dividends for 2000 were \$.29 per share for the first quarter and were reduced to \$.20 for the second, third and fourth quarters after the merger agreement with First Security Corporation was terminated.

FOREIGN OPERATIONS

Zions First National Bank opened a foreign office located in Grand Cayman, Grand Cayman Islands, B.W.I. in 1980. The office accepts Eurodollar deposits from qualified customers and places deposits with foreign banks and foreign branches of other U.S. banks. Foreign deposits at December 31, 2000, 1999 and 1998 totaled \$136 million, \$210 million and \$204 million, respectively; and averaged \$138 million for 2000, \$165 million for 1999 and \$182 million for 1998. See Schedule 8 Loan Portfolio by Type for details of foreign loans outstanding.

RISK ELEMENTS

CREDIT RISK MANAGEMENT

Management of credit risk is essential in maintaining a safe and sound institution. The Company has structured its organization to separate the lending function from the credit administration function to strengthen the control and independent evaluation of credit activities. Loan policies and procedures provide the Company with a framework for consistent underwriting and a basis for sound credit decisions. In addition, the Company has well-defined standards for grading its loan portfolio, and management utilizes a comprehensive loan grading system to determine risk potential in the portfolio. A separate internal credit examination department periodically conducts examinations of the quality, documentation and administration of the Company's lending departments, and submits reports thereon

to a committee of the Board of Directors. Emphasis is placed on early detection of potential problem credits so that action plans can be developed on a timely basis to mitigate losses.

Another aspect of the Company's credit risk management strategy is the diversification of the loan portfolio. At year end, the Company had 1% of its portfolio in loans held for sale, 25% in commercial loans, 67% in real estate loans, 4% in consumer loans, and 2% in lease financing. The Company's real estate portfolio is also diversified. Of the total real estate loan portfolio, 24% is in real estate construction loans, 3% is in home equity credit lines, 30% is in 1-4 family residential loans and 43% is in commercial loans secured by real estate. The Company's commercial real estate concentration is in part mitigated by its emphasis of lending programs sponsored by the Small Business Administration, which carries the preponderance of credit risk on these types of loans. The Company also focuses on the provision of commercial real estate credit to borrowers that occupy the facility. In addition, the Company attempts to avoid the risk of an undue concentration of credits in a particular industry or trade group. See Note 6 of the Notes to Consolidated Financial Statements for further information on concentrations of credit risk. The Company has no significant exposure to highly leveraged transactions. Most of the Company's business activity is with customers located within the states of Utah, Idaho, California, Nevada, Arizona, Colorado, and Washington. Also, the Company limits its exposure to any individual customer or counterparty.

NONPERFORMING ASSETS

Nonperforming assets include nonaccrual loans, restructured loans and other real estate owned. Loans are generally placed on nonaccrual status when the loan is 90 days or more past due as to principal or interest, unless the loan is in the process of collection and well-secured. Consumer loans are normally not placed on a nonaccrual status, inasmuch as they are generally charged off when they become 120 days past due. Loans are restructured to provide a reduction or deferral of interest or principal payments when the financial condition of the borrower deteriorates and requires that the borrower be given temporary or permanent relief from the original contractual terms of the credit. Other real estate owned is primarily acquired through or in lieu of foreclosure on credits secured by real estate.

The Company's nonperforming assets were \$71 million on December 31, 2000, down from \$75 million on December 31, 1999. Such nonperforming assets as a percentage of net loans and leases, other real estate owned and other nonperforming assets were .49% on December 31, 2000, compared to .58% on December 31, 1999.

Accruing loans past due 90 days or more totaled \$27 million on December 31, 2000, up from \$21 million on December 31, 1999. These loans equaled .19% of net loans and leases on December 31, 2000, as compared to .16% on December 31, 1999.

No loans were considered potential problem loans on December 31, 2000 or 1999. Potential problem loans are defined as loans currently on accrual and not contractually past due 90 days or more and not restructured, but about which management has serious doubt as to the future ability of the borrower to comply with present repayment terms and which may result in the reporting of the loans as nonperforming assets in the future.

The Company's total recorded investment in impaired loans included in nonaccrual loans and leases amounted to \$45.9 million and \$57.1 million on December 31, 2000 and 1999, respectively. The Company considers a loan to be impaired when the accrual of interest has been discontinued and the loan meets certain other criteria. The amount of the impairment is measured based on the present value of expected cash flows, the observable market price of the loan, or the fair value of the collateral. Impairment losses are included in the allowance for loan losses through a provision for loan losses. Included in the allowance for loan losses on December 31, 2000 and 1999, is an allowance of \$10.1 million and \$16 million, respectively, on \$16.2 million and \$22.5 million, respectively, of the recorded investment in impaired loans. See Note 5 of the Notes to Consolidated Financial Statements for additional information on impaired loans.

SCHEDULE 10 NONPERFORMING ASSETS

(Amounts in millions)	December 31,				
	2000	1999	1998	1997	1996
Nonaccrual loans:					
Commercial, financial and agricultural	\$ 20	\$ 29	\$ 12	\$ 4	\$ 5
Real estate	34	34	39	7	6
Consumer	2	1	1	1	1
Lease financing	2	1	3	1	1
Other	-	-	-	-	-
Restructured loans:					
Commercial, financial and agricultural	2	-	-	-	-
Real estate	1	1	5	1	1
Other real estate owned:					
Commercial, financial and agricultural:					
Improved	6	5	-	2	-
Unimproved	2	3	-	-	-
Residential:					
1-4 Family	2	1	2	1	-
Multi-family	-	-	-	-	-
Other	-	-	3	-	-
Total	\$ 71	\$ 75	\$ 65	\$ 17	\$ 14
% of net loans* and leases; other real estate owned and other nonperforming assets	.49%	.58%	.58%	.31%	.36%
Accruing loans past due 90 days or more:					
Commercial, financial and agricultural	\$ 8	\$ 4	\$ 5	\$ 2	\$ 1
Real estate	18	15	20	7	2
Consumer	1	2	1	1	1
Total	\$ 27	\$ 21	\$ 26	\$ 10	\$ 4
% of net loans* and leases	.19%	.16%	.23%	.18%	.09%

*Includes loans held for sale.

ALLOWANCE FOR LOAN LOSSES

The Company's allowance for loan losses was 1.36% of net loans and leases on December 31, 2000, compared to 1.60% on December 31, 1999. Net charge-offs in 2000 were \$42 million, or .31% of average loans and leases, compared to net charge-offs of \$30 million, or .25% of average net loans and leases in 1999 and net charge-offs of \$16 million, or .21% of average net loans and leases in 1998.

The allowance, as a percentage of nonaccrual loans and restructured loans, was 320.7% on December 31, 2000, compared to 310.9% on December 31, 1999 and 354.9% on December 31, 1998. The allowance, as a percentage of nonaccrual loans and accruing loans past due 90 days or more, was 229.4% on December 31, 2000, compared to 238.1% on December 31, 1999 and 264.2% on December 31, 1998.

On December 31, 2000, 1999 and 1998, the allowance for loan losses includes an allocation of \$22 million, \$23 million and \$20 million, respectively, related to commitments to extend credit on loans and standby letters of credit. Commitments to extend credit on loans and standby letters of credit on December 31, 2000, 1999, and 1998 totaled \$7,254 million, \$6,001 million, and \$5,090 million, respectively. The Company's actual future credit exposure is much lower than the contractual amounts of the commitments because a significant portion of the commitments is expected to expire without being drawn upon.

In analyzing the adequacy of the allowance for loan losses, management utilizes a comprehensive loan grading system to determine risk potential in the portfolio, and considers the results of independent internal credit reviews. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type.

Historical loss experience factors by segment, adjusted for changes in trends and conditions, are used in determining the required allowance for each segment. Historical loss factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific portfolio segment. Other considerations, such as volumes and trends of delinquencies, nonaccruals, repossessions and bankruptcies, criticized and classified loan trends, current and anticipated foreclosure losses, new products and policies, economic conditions, concentrations of credit risk, and experience and abilities of lending personnel, are also considered in establishing the loss factors.

All loans graded substandard in the amount of \$1 million or more and all credits graded doubtful in the amount of \$100 thousand or more are individually evaluated based on facts and circumstances of the loan and a specific allowance amount designated. Specific allowances may also be established for loans in amounts below the specified thresholds when it is determined that the risk differs significantly from factor amounts established for the category. Although management has allocated a portion of the allowance to specific loan categories using the methods described, the adequacy of the allowance must be considered in its entirety. To mitigate the imprecision in most estimates of expected credit losses, the allocated component of the allowance is supplemented by an unallocated component. The unallocated portion of the allowance includes management's judgmental determination of the amounts necessary for subjective factors such as economic uncertainties and concentration risks. Accordingly, the relationship of the unallocated component to the total allowance for loan losses may fluctuate from period to period. Schedule 11 provides a breakdown of the allowance for loan losses by loan category, and Schedule 12 summarizes loan loss experience.

SCHEDULE 11 ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

	2000		1999		1998		1997		1996	
	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance
<i>(Amounts in millions)</i>										
TYPE OF LOAN										
Loans held for sale	1.3%	\$ -	1.6%	\$ -	2.1%	\$ -	3.3%	\$ -	3.8%	\$ -
Commercial, financial and agricultural	25.1%	53	23.8%	46	25.4%	83	25.5%	17	23.8%	16
Real estate	66.7%	107	67.4%	100	64.9%	52	57.4%	28	59.0%	28
Consumer	4.2%	8	4.6%	12	5.1%	12	8.9%	10	8.4%	8
Lease financing	2.2%	4	2.1%	6	1.9%	6	3.2%	2	4.0%	2
Other receivables	0.5%	-	0.5%	-	0.6%	-	1.7%	-	1.0%	-
Total loans	100.0%		100.0%		100.0%		100.0%		100.0%	
Off-balance sheet										
unused commitments and										
standby letters of credit		22		23		20		9		6
Total allocated		194		187		173		66		60
Unallocated		2		17		40		23		17
Total allowance for loan losses		\$ 196		\$ 204		\$ 213		\$ 89		\$ 77

SCHEDULE 12 SUMMARY OF LOAN LOSS EXPERIENCE

<i>(Amounts in millions)</i>	2000	1999	1998	1997	1996
Loans* and leases outstanding on December 31, (net of unearned income)	\$ 14,378	\$ 12,791	\$ 11,219	\$ 5,463	\$ 3,941
Average loans* and leases outstanding (net of unearned income)	\$ 13,649	\$ 11,819	\$ 7,632	\$ 4,547	\$ 3,560
Allowance for loan losses:					
Balance at beginning of year	\$ 204	\$ 213	\$ 89	\$ 77	\$ 73
Allowance of companies acquired	2	3	126	14	3
Provision charged against earnings	32	18	14	6	5
Loans and leases charged off:					
Commercial, financial and agricultural	(38)	(32)	(9)	(6)	(1)
Real estate	(4)	(3)	(6)	-	-
Consumer	(9)	(9)	(9)	(8)	(8)
Lease financing	(2)	(2)	(1)	-	-
Total	(53)	(46)	(25)	(14)	(9)
Recoveries:					
Commercial, financial and agricultural	6	6	3	2	2
Real estate	1	7	3	2	-
Consumer	3	3	3	2	2
Lease financing	1	-	-	-	1
Total	11	16	9	6	5
Net loan and lease charge-offs	(42)	(30)	(16)	(8)	(4)
Balance at end of year	\$ 196	\$ 204	\$ 213	\$ 89	\$ 77
Ratio of net charge-offs to average loans and leases	.31%	.25%	.21%	.19%	.11%
Ratio of allowance for loan losses to loans and leases outstanding on December 31,	1.36%	1.60%	1.89%	1.62%	1.95%
Ratio of allowance for loan losses to nonperforming loans on December 31,	320.69%	310.87%	354.94%	655.59%	546.81%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more on December 31,	229.35%	238.07%	264.20%	389.19%	458.91%

*Includes loans held for sale.

MARKET RISK MANAGEMENT

Market risk is the possibility that changes in interest rates or equity securities prices will impair the fair value of the Company's financial instruments. The Asset/Liability Committee (ALCOM) measures and reviews the market risk of the Company and establishes policies and procedures to limit its exposure to changes in interest rates. These policies are reviewed and approved by the Boards of Directors of the Company's subsidiary banks. ALCOM objectives are summarized as follows: ensure the safety and soundness of bank deposits, while providing an appropriate return to shareholders; provide the basis for integrated balance sheet, net interest income and liquidity management; calculate the duration, dollar duration, and convexity of each class of assets, liabilities, and net equity given defined interest rate scenarios; manage the Company's exposure to changes in net interest income and market value of equity due to interest rate fluctuations; quantify the effect of hedging instruments on the market value of equity and net interest income under defined interest rate scenarios; and identify and report any risk exposures that exceed limitations approved by the Board of Directors.

Interest rate risk is the most significant market risk regularly undertaken by the Company. This risk is monitored through the use of two complementary measurement methods: equity duration and income simulation.

Equity duration is derived by first calculating the dollar duration of all assets, liabilities and off-balance sheet investments. Dollar duration is determined by calculating the market value of each instrument assuming interest rates sustain immediate and parallel movements up 1% and down 1%. The average of these two changes in market value is the dollar duration, which incorporates the value of embedded and explicit options within each instrument. Subtracting the dollar duration of liabilities from the dollar duration of assets and adding the net dollar duration of off-balance sheet items results in the dollar duration of equity. Duration of equity is computed by dividing the dollar duration of equity by the market value of equity.

Income simulation is an estimate of the net interest income which would be recognized under different rate environments. Net interest income is measured under several parallel and non-parallel interest rate environments and considers the possible exercise of options within the portfolio.

At year end 2000 and 1999, the Company's duration of equity was estimated to be approximately 4.0 years and 3.4 years, respectively. A 200-basis-point immediate increase in rates was estimated to increase the duration of equity to 4.6 years in 2000 and 4.4 years in 1999. Conversely, an immediate decrease in rates of similar magnitude was estimated to decrease the duration of equity to 3.2 years in 2000 and 2.5 years in 1999. Company policy requires that all three of these measures be between 0 and 7 years.

For income simulation, Company policy requires that net interest income not be expected to decline by more than 10% during one year if rates were to immediately rise or fall by 200 basis points. At year-end 2000 and 1999, net interest income was expected to decline 0.4% and 0.6%, respectively, if interest rates were to sustain an immediate increase of 200 basis points. If interest rates were to similarly decline 200 basis points, net interest income would be expected to decrease 1.6% and 2.3%, respectively. These estimates include management's assumptions regarding loan and deposit pricing, security and loan prepayments, and changing relationships to market rates.

Management exercises its best judgment in making assumptions regarding loan and security prepayments, early deposit withdrawals, and other non-controllable events in managing the Company's exposure to changes in interest rates. The interest rate risk position is actively managed and changes daily as the interest rate environment changes; therefore, positions at the end of any period may not be reflective of the Company's position in any subsequent period.

At year end the one-year gap for the Company was negative \$1,140 million: i.e., the \$12,522 million of assets that mature or reprice during 2001 was less than the sum of \$12,065 million of liabilities and the negative \$1,597 million net effect of off-balance sheet swaps that mature or reprice during the same period. This gap represented 5.2% of total assets. Detail of the repricing characteristics of the balance sheet as of year end are presented in Schedule 13. The Company does not have policy limits regarding its gap position.

SCHEDULE 13
MATURITIES AND INTEREST RATE SENSITIVITY
ON DECEMBER 31, 2000

	Rate sensitive					
	Within three months	After three months but within one year	After one year but within five years	After five years	Not rate sensitive	Total
<i>(Amounts in millions)</i>						
USES OF FUNDS						
Earning Assets:						
Interest-bearing deposits	\$ 9	\$ 4	\$ 8			\$ 21
Federal funds sold	51					51
Security resell agreements	456					456
Securities:						
Held to maturity	974	862	1,087	\$ 202		3,125
Available for sale	155	209	259	159		782
Trading account	280					280
Loans and leases	7,989	1,533	3,522	1,139		14,183
Nonearning assets					\$ 3,041	3,041
Total uses of funds	\$ 9,914	\$ 2,608	\$ 4,876	\$ 1,500	\$ 3,041	\$ 21,939
SOURCES OF FUNDS						
Interest-bearing deposits and liabilities:						
Savings and money market deposits	\$ 2,822	\$ 860	\$ 4,014	\$ 574		\$ 8,270
Time deposits under \$100,000	380	836	403	9		1,628
Time deposits \$100,000 or more	549	694	200	6		1,449
Foreign	136					136
Securities sold, not yet purchased	291					291
Federal funds purchased	1,069					1,069
Security repurchase agreements	1,328					1,328
Commercial paper	173	25				198
FHLB advances and other borrowings:						
Less than one year	1,036	255				1,291
Over one year		2	14	128		144
Long-term debt			118	302		420
Noninterest-bearing deposits	1,608	1	280		\$ 1,697	3,586
Other liabilities					310	310
Minority interest					40	40
Shareholders' equity					1,779	1,779
Total sources of funds	\$ 9,392	\$ 2,673	\$ 5,029	\$ 1,019	\$ 3,826	\$ 21,939
Off-balance sheet items affecting						
interest rate sensitivity	\$ (2,022)	\$ 425	\$ 1,587	\$ 10		
Interest rate sensitivity gap	\$ (1,500)	\$ 360	\$ 1,434	\$ 491	\$ (785)	
Percent of total assets	(6.84)%	1.64%	6.54%	2.24%	(3.58)%	
Cumulative interest rate sensitivity gap	\$ (1,500)	\$ (1,140)	\$ 294	\$ 785		
Cumulative as a % of total assets	(6.84)%	(5.20)%	1.34%	3.58%		

The Company, through the management of maturities and repricing of its assets and liabilities and the use of off-balance sheet arrangements, including interest rate caps, floors, futures, options and exchange agreements, attempts to manage the effect on net interest income of changes in interest rates. The prime lending rate is the basis used for pricing many of the Company's loans, and the 91-day Treasury bill rate is the index

used for pricing many of the Company's deposits. The Company, however, is unable to economically hedge the prime/T-bill spread risk through the use of derivative financial instruments. Interest rate swap maturities and average rates are presented in Schedule 14. For additional information regarding off-balance sheet financial contracts, refer to Notes 1, 12 and 19 of the Notes to Consolidated Financial Statements.

SCHEDULE 14
INTEREST RATE SWAP MATURITIES AND AVERAGE RATES

(Amounts in millions)	2001	2002	2003	2004	Thereafter	Total
Receive fixed rate/pay variable rate:						
Notional amount	\$ 425	\$ 668	\$ 302	\$ 324	\$ 303	\$ 2,022
Weighted average rate received	7.05%	7.06%	6.68%	6.73%	7.16%	6.96%
Weighted average rate paid	6.73%	6.75%	6.71%	6.73%	6.74%	6.74%

LIQUIDITY RISK MANAGEMENT

The Company manages its liquidity to provide adequate funds to meet its financial obligations, including withdrawals by depositors and debt service requirements as well as to fund customers' demand for credit. Liquidity is primarily provided by the regularly scheduled maturities of the Company's investment and loan portfolios. Management of the maturities of these portfolios is an important source of medium to long-term liquidity. The Company's ability to raise funds in the capital markets through the securitization process allows it to take advantage of market opportunities to meet funding needs at a reasonable cost.

The Parent's cash requirements consist primarily of debt service, dividends to shareholders, operating expenses, income taxes and share repurchases. The Parent's cash needs are routinely met through dividends from subsidiaries, proportionate shares of current income taxes, management and other fees, unaffiliated bank lines, and debt issuance.

At December 31, 2000, \$117.6 million of dividend capacity was available from subsidiaries to pay to the Parent without having to obtain regulatory approval. During 2000, dividends from subsidiaries were \$164.0 million. During 1998 the Company started a program to issue short-term commercial paper. At December 31, 2000, outstanding commercial paper was \$198.2 million. At December 31, 2000, the Parent had revolving credit facilities with two banks totaling \$65 million and borrowing on the facilities of \$65 million.

FORWARD-LOOKING INFORMATION

Statements in Management's Discussion and Analysis that are not based on historical data are forward-looking, including, for example, the projected performance of the Company and its operations. These statements constitute forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from the projections discussed in Management's Discussion and Analysis since such projections involve significant risks and uncertainties. Factors that might cause such differences include, but are not limited to: the timing of closing proposed acquisitions being delayed or such acquisitions being prohibited; competitive pressures among financial institutions increasing significantly; economic conditions, either nationally or locally in areas in which the Company conducts its operations, being less favorable than expected; and legislation or regulatory changes which adversely affect the Company's operations or business. The Company disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

The following consolidated condensed statements of income present earnings and operating cash earnings information.

(Amounts in millions)	2000	1999	1998	1997	1996
Net interest income	\$ 803.4	\$ 741.5	\$ 573.9	\$ 369.6	\$ 297.1
Noninterest income ²	289.1	266.5	210.1	148.3	117.5
Total revenue	1,092.5	1,008.0	784.0	517.9	414.6
Provision for loan losses	31.8	17.9	14.0	5.9	4.8
Noninterest expense ¹	638.2	617.9	486.8	305.1	237.5
Pretax cash earnings	422.5	372.2	283.2	206.9	172.3
Income tax expense	138.7	123.5	88.4	68.6	57.3
Minority interest	2.4	5.9	0.4	-	-
Cash earnings ¹	281.4	242.8	194.4	138.3	115.0
Amortization of goodwill and core deposit intangibles	37.2	36.0	31.7	7.1	2.3
Merger expense	45.5	27.7	38.1	0.7	-
Impairment loss on First Security Corporation common stock	96.9	-	-	-	-
Income tax benefit	(59.0)	(14.0)	(18.8)	(0.9)	(0.1)
Minority interest operating cash adjustment	0.9	1.0	-	-	-
Net income	\$ 161.7	\$ 194.1	\$ 143.4	\$ 131.4	\$ 112.8
Operating cash earnings per share (diluted) ¹	\$ 3.23	\$ 2.83	\$ 2.37	\$ 2.03	\$ 1.73
Net income per share (diluted)	\$ 1.86	\$ 2.26	\$ 1.75	\$ 1.92	\$ 1.69

¹Before amortization of goodwill and core deposit intangible assets and merger expense.

²Excluding impairment loss on First Security Corporation common stock.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2000 AND 1999

(In thousands, except share amounts)

	2000	1999
ASSETS		
Cash and due from banks	\$ 1,047,252	898,300
Money market investments:		
Interest-bearing deposits	21,237	17,371
Federal funds sold	50,426	85,898
Security resell agreements	456,404	421,900
Investment securities:		
Held to maturity, at cost (approximate market value \$3,152,740 and \$3,290,508)	3,125,433	3,330,444
Available for sale, at market (2000 - includes \$151,424 pledged as collateral for security repurchase agreements)	782,466	778,930
Trading account, at market (2000 - includes \$15,096 pledged as collateral for security repurchase agreements)	280,410	327,845
	<u>4,188,309</u>	<u>4,437,219</u>
Loans:		
Loans held for sale	181,159	204,800
Loans, leases, and other receivables	14,276,999	12,648,325
	<u>14,458,158</u>	<u>12,853,125</u>
Less:		
Unearned income and fees, net of related costs	80,125	62,480
Allowance for loan losses	195,535	204,114
Net loans	<u>14,182,498</u>	<u>12,586,531</u>
Premises and equipment, net	314,938	287,448
Goodwill	571,365	583,849
Core deposit intangibles	70,075	82,370
Other real estate owned	9,574	8,939
Other assets	1,027,365	871,075
	<u>\$ 21,939,443</u>	<u>20,280,900</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$ 3,585,672	3,276,097
Interest-bearing:		
Savings and money market	8,270,122	7,660,786
Time:		
Under \$100,000	1,628,890	1,836,645
Over \$100,000	1,448,905	1,078,631
Foreign	136,394	209,780
	<u>15,069,983</u>	<u>14,061,939</u>
Securities sold, not yet purchased	291,102	237,020
Federal funds purchased	1,069,124	825,997
Security repurchase agreements	1,327,721	1,366,653
Accrued liabilities	310,287	247,406
Commercial paper	198,239	238,660
Federal Home Loan Bank advances and other borrowings:		
Less than one year	1,290,960	1,038,045
Over one year	143,776	112,622
Long-term debt	419,550	453,471
Total liabilities	<u>20,120,742</u>	<u>18,581,813</u>
Minority interest	39,857	39,249
Shareholders' equity:		
Capital stock:		
Preferred stock, without par value; authorized 3,000,000 shares; issued and outstanding, none	-	-
Common stock, without par value; authorized 200,000,000 shares; issued and outstanding, 87,100,188 shares and 85,592,643 shares	907,604	888,231
Accumulated other comprehensive loss	(3,644)	(4,158)
Retained earnings	874,884	775,765
Total shareholders' equity	<u>1,778,844</u>	<u>1,659,838</u>
	<u>\$ 21,939,443</u>	<u>20,280,900</u>

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(In thousands, except per share amounts)

	2000	1999	1998
INTEREST INCOME:			
Interest and fees on loans	\$ 1,236,588	1,001,741	694,338
Interest on loans held for sale	14,477	12,194	14,256
Lease financing	17,222	13,293	12,630
Interest on money market investments	67,353	67,234	92,248
Interest on securities:			
Held to maturity:			
Taxable	196,917	175,701	131,712
Nontaxable	16,398	18,784	16,154
Available for sale:			
Taxable	33,792	36,480	44,735
Nontaxable	7,147	3,844	2,733
Trading account	36,289	30,067	24,043
Total interest income	1,626,183	1,359,338	1,032,849
INTEREST EXPENSE:			
Interest on savings and money market deposits	329,373	247,729	173,833
Interest on time and foreign deposits	174,460	166,749	143,313
Interest on borrowed funds	318,972	203,371	141,761
Total interest expense	822,805	617,849	458,907
Net interest income	803,378	741,489	573,942
Provision for loan losses	31,811	17,956	14,034
Net interest income after provision for loan losses	771,567	723,533	559,908
NONINTEREST INCOME:			
Service charges on deposit accounts	78,269	76,756	61,131
Other service charges, commissions, and fees	65,315	66,098	57,027
Trust income	18,205	15,762	10,969
Investment securities gain (loss), net	14,804	(2,970)	4,055
Impairment loss on First Security Corporation common stock	(96,911)	-	-
Underwriting and trading income	10,065	11,551	9,239
Loan sales and servicing income	51,741	40,516	50,365
Other	50,676	58,832	17,411
Total noninterest income	192,164	266,545	210,197
NONINTEREST EXPENSE:			
Salaries and employee benefits	348,293	346,710	261,531
Occupancy, net	51,671	49,393	33,387
Furniture and equipment	52,704	45,477	38,256
Other real estate expense (income)	356	(66)	656
Legal and professional services	19,707	16,156	16,345
Supplies	10,972	11,168	11,904
Postage	10,916	11,656	11,030
Advertising	25,416	18,502	12,613
Merger-related expense	45,492	27,691	38,128
FDIC premiums	3,349	2,152	1,528
Amortization of goodwill	25,715	24,295	19,829
Amortization of core deposit intangibles	11,508	11,713	11,812
Other	114,728	116,720	99,681
Total noninterest expense	720,827	681,567	556,700
Income before income taxes and minority interest	242,904	308,511	213,405
Income taxes	79,661	109,498	69,632
Net income before minority interest	163,243	199,013	143,773
Minority interest	1,534	4,949	420
Net income	\$ 161,709	194,064	143,353
Weighted-average common and common-equivalent shares outstanding during the year	87,120	85,695	81,918
Net income per common share:			
Basic	\$ 1.87	2.29	1.77
Diluted	\$ 1.86	2.26	1.75

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(In thousands)

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 161,709	194,064	143,353
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for loan losses	31,811	17,956	14,034
Depreciation of premises and equipment	50,186	39,155	29,861
Amortization	64,786	51,367	50,506
Accretion of unearned income and fees, net of related costs	16,983	18,437	(5,695)
Income to minority interest	1,534	4,949	420
Proceeds from sales of trading account securities	184,357,455	188,710,001	175,432,243
Increase in trading account securities	(184,310,020)	(188,845,991)	(175,540,070)
Investment securities (gain) loss, net	(14,804)	2,970	(4,055)
Impairment loss on First Security Corporation common stock	96,911	-	-
Proceeds from loans held-for-sale	533,285	878,638	1,237,514
Increase in loans held-for-sale	(509,644)	(852,309)	(1,296,803)
Net gain on sales of loans, leases and other assets	(36,240)	(31,674)	(43,644)
Change in accrued income taxes	30,078	4,792	22,916
Change in accrued interest receivable	(34,447)	(15,457)	1,420
Change in accrued interest payable	11,342	201	1,183
Other, net	(101,738)	(155,462)	(53,285)
Net cash provided by (used in) operating activities	349,187	21,637	(10,102)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in money market investments	(348)	135,386	874,130
Proceeds from maturities of investment securities held to maturity	881,175	804,139	3,466,594
Purchases of investment securities held to maturity	(663,948)	(1,360,049)	(3,519,660)
Proceeds from sales of investment securities available for sale	1,245,192	367,345	573,197
Proceeds from maturities of investment securities available for sale	134,785	353,714	275,785
Purchases of investment securities available for sale	(1,442,094)	(652,017)	(789,738)
Proceeds from sales of loans and leases	1,175,687	1,005,530	918,948
Net increase in loans and leases	(2,665,154)	(2,469,077)	(2,033,560)
Payments on leveraged leases	(8,125)	(8,118)	(3,840)
Principal collections on leveraged leases	8,125	8,118	3,840
Proceeds from sales of premises and equipment	12,079	17,441	5,370
Purchases of premises and equipment	(82,288)	(93,769)	(75,461)
Proceeds from sales of other assets	13,927	7,892	10,299
Net cash received (paid) for acquisitions	11,886	8,847	(246,485)
Net cash used in investing activities	(1,379,101)	(1,874,618)	(540,581)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	784,806	(365,695)	782,325
Net change in short-term funds borrowed	470,771	2,193,152	(91,272)
Proceeds from FHLB advances over one year	600,000	365,000	4,665
Payments on FHLB advances over one year	(568,846)	(309,755)	(167,886)
Proceeds from issuance of long-term debt	-	-	195,041
Payments on long-term debt	(33,921)	(264)	(20,556)
Proceeds from issuance of common stock	6,717	9,753	137,404
Payments to redeem common stock	(3,899)	(6,650)	(25,744)
Dividends paid	(76,762)	(56,914)	(41,600)
Net cash provided by financing activities	1,178,866	1,828,627	772,377
Net increase (decrease) in cash and due from banks	148,952	(24,354)	221,694
Cash and due from banks at beginning of year	898,300	922,654	700,960
Cash and due from banks at end of year	\$ 1,047,252	898,300	922,654
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for:			
Interest	\$ 812,018	617,610	459,700
Income taxes	63,825	28,300	55,400
Loans transferred to other real estate owned	13,872	11,282	5,055

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(In thousands, except share amounts)	Common stock		Comprehensive income	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
	Shares	Amount				
BALANCE, DECEMBER 31, 1997	69,964,518	\$ 292,383		4,537	559,686	856,606
Net income	-	-	143,353	-	143,353	143,353
Other comprehensive loss, net of tax:						
Realized and unrealized holding loss arising during the year, net of tax benefit of \$3,595	-	-	(5,803)	-	-	-
Reclassification for realized gain recorded in the income statement, net of tax expense of \$1,551	-	-	(2,504)	-	-	-
Other comprehensive loss	-	-	(8,307)	(8,307)	-	(8,307)
Total comprehensive income	-	-	<u>\$ 135,046</u>	-	-	-
Cash dividends:						
Common, \$.54 per share	-	-	-	-	(40,715)	(40,715)
Preferred dividends of acquired companies prior to merger	-	-	-	-	(887)	(887)
Stock dividend of acquired company	446,452	21,000	-	-	(21,009)	(9)
Net proceeds from stock offering	2,760,000	130,131	-	-	-	130,131
Issuance of common shares for acquisitions	10,041,306	368,259	-	363	19,091	387,713
Exercise of acquired company warrants prior to acquisition	257,056	1,852	-	-	-	1,852
Stock redeemed and retired	(591,009)	(25,696)	-	-	-	(25,696)
Stock options exercised, net of shares tendered and retired	676,307	8,590	-	-	-	8,590
BALANCE, DECEMBER 31, 1998	83,554,630	796,519		(3,407)	659,519	1,452,631
Net income	-	-	194,064	-	194,064	194,064
Other comprehensive loss, net of tax:						
Realized and unrealized holding loss arising during the year, net of tax benefit of \$5,405	-	-	(8,726)	-	-	-
Reclassification for realized loss recorded in the income statement, net of tax benefit of \$4,940	-	-	7,975	-	-	-
Other comprehensive loss	-	-	(751)	(751)	-	(751)
Total comprehensive income	-	-	<u>\$ 193,313</u>	-	-	-
Cash dividends:						
Common, \$.72 per share	-	-	-	-	(56,914)	(56,914)
Stock dividend of acquired company	107	21,694	-	-	(21,701)	(7)
Issuance of common shares for acquisitions	1,571,143	58,358	-	-	797	59,155
Stock redeemed and retired	(115,769)	(6,650)	-	-	-	(6,650)
Stock options exercised, net of shares tendered and retired	582,532	18,310	-	-	-	18,310
BALANCE, DECEMBER 31, 1999	85,592,643	888,231		(4,158)	775,765	1,659,838

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (CONTINUED) YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(In thousands, except share amounts)	Common stock		Comprehensive income	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
	Shares	Amount				
Net income	-	\$ -	161,709	-	161,709	161,709
Other comprehensive loss, net of tax:						
Realized and unrealized holding loss arising during the year, net of tax benefit of \$31,088	-	-	(50,187)	-	-	-
Reclassification for realized loss recorded in the income statement, net of tax benefit of \$31,406	-	-	50,701	-	-	-
Other comprehensive income	-	-	514	514	-	514
Total comprehensive income	-	-	<u>\$ 162,223</u>	-	-	-
Cash dividends:						
Common, \$.89 per share	-	-	-	-	(76,762)	(76,762)
Issuance of common shares for acquisitions	1,202,593	13,103	-	-	14,172	27,275
Stock redeemed and retired	(80,174)	(3,899)	-	-	-	(3,899)
Stock options exercised, net of shares tendered and retired	385,126	10,169	-	-	-	10,169
BALANCE, DECEMBER 31, 2000	87,100,188	\$ 907,604		(3,644)	874,884	1,778,844

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS Zions Bancorporation (the Parent) is a multibank holding company organized under the laws of Utah in 1955, which provides a full range of banking and related services through its subsidiaries operating primarily in Utah, Idaho, California, Nevada, Arizona, Colorado, and Washington.

BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of Zions Bancorporation and its subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current financial statement presentation.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and prevailing practices within the financial services industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates.

SECURITY RESELL AGREEMENTS Security resell agreements represent overnight and term agreements, the majority maturing within 30 days. Either the Company or, in some instances, third parties on behalf of the Company take possession of underlying securities. The market value of such securities is monitored throughout the contract term to ensure that asset values remain sufficient to protect against counterparty default. The Company is permitted by contract to sell or repledge certain securities it accepts as collateral for security resell agreements. If sold, the Company's obligation to return the collateral is recorded as a liability and included in the consolidated balance sheet as "Securities sold, not yet purchased." Security resell agreements averaged approximately \$976 million during 2000, and the maximum amount outstanding at any month-end during 2000 was \$1,453 million.

INVESTMENT SECURITIES The Company classifies its securities according to their purpose and holding period. Gains or losses on the sale of securities are recognized using the specific identification method and recorded in noninterest income.

Held-to-maturity securities, primarily debt securities, are stated at cost, net of unamortized premiums and unaccreted discounts. The Company has the intent and the ability to hold such securities until maturity. Upon adoption on January 1, 2001 of Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, issued by the Financial Accounting Standards Board (FASB), the Company will transfer substantially all held-to-maturity securities to either the available-for-sale or trading category (see additional discussion in Note 2).

Debt securities that may not be held until maturity and marketable equity securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, after applicable taxes, reported as a component of other comprehensive income. Any declines in the value of debt securities and marketable equity securities that are considered other than temporary are recorded in noninterest income.

Securities acquired for short-term appreciation or other trading purposes are classified as trading securities and are recorded at fair value. Realized and unrealized gains and losses resulting from such fair value adjustments and from recording the results of sales are recorded in trading income.

The market values of available-for-sale and trading securities are generally based on quoted market prices or dealer quotes. If a quoted market price is not available, market value is estimated using quoted market prices for similar securities.

NONMARKETABLE SECURITIES Nonmarketable securities include certain venture capital securities and securities acquired for various debt and regulatory requirements. Nonmarketable venture capital securities are reported at estimated fair values, in the absence of readily ascertainable market values. Changes in fair value and gains and losses from sales are recognized in noninterest income. The values assigned to the securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Such estimated amounts depend on future circumstances and will not be realized until the individual securities are liquidated. The valuation procedures applied include consideration of economic and market conditions, current and projected financial performance of the investee company, and the investee company's management team. Management believes that the cost of an investment is initially considered the best indication of estimated fair value unless there have been significant subsequent positive or negative developments that justify an adjustment in the fair value estimate. Other nonmarketable securities acquired for various debt and regulatory requirements are accounted for at cost. These nonmarketable securities are included in other assets on the Company's balance sheet.

LOANS Loans are reported at the principal amount outstanding, net of unearned income. Unearned income, which includes deferred fees net of deferred direct incremental loan origination costs, is amortized to interest income generally over the life of the loan using principally an interest method.

Loans held for sale are carried at the lower of cost or market value because the Company does not intend to hold these loans until maturity or sales of loans are pending. Gains and losses are recorded in noninterest income, based on the difference between sales proceeds and carrying value.

NONACCRUAL LOANS Loans are generally placed on a nonaccrual status when principal or interest is past due 90 days or more unless the loan is both well-secured and in the process of collection or when, in the opinion of management, full collection of principal or interest is unlikely. Generally, consumer loans are not placed on nonaccrual status, inasmuch as they are normally charged off when they become 120 days past due. A loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement or when the loan is both well-secured and in the process of collection.

IMPAIRED LOANS Loans, other than those included in large groups of smaller-balance homogeneous loans, are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. For a loan that has been restructured, the contractual terms of the loan agreement refer to the contractual terms specified by the original loan agreement, not the contractual terms specified by the restructuring agreement.

This assessment for impairment occurs when and while such loans are on nonaccrual, or the loan has been restructured. When a loan with unique risk characteristics has been identified as being impaired, the amount of impairment will be measured by the Company using discounted cash flows, except when it is determined that the sole (remaining) source of repayment for the loan is the operation or liquidation of the underlying collateral. In such cases, the current fair value of the collateral, reduced by costs to sell, will be used in place of discounted cash flows.

If the measurement of the impaired loan is less than the recorded investment in the loan (including accrued interest, net deferred loan fees or costs and unamortized premium or discount), an impairment is recognized by creating or adjusting an existing allocation of the allowance for loan losses.

RESTRUCTURED LOANS In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a restructured (accruing) loan. Loans restructured at a rate equal to or greater than that of a new loan with comparable risk at the time the contract is modified may be excluded from the impairment assessment and may cease to be considered impaired loans in the calendar years subsequent to the restructuring if they are not impaired based on the modified terms.

Generally, a nonaccrual loan that is restructured remains on nonaccrual for a period of six months to demonstrate that the borrower can meet the restructured terms. However, performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan.

ALLOWANCE FOR LOAN LOSSES In analyzing the adequacy of the allowance for loan and lease losses, management utilizes a comprehensive loan grading system to determine risk potential in the portfolio, and considers the results of independent internal credit reviews. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type. Historical loss experience factors by segment, adjusted for changes in trends and conditions, are used in determining the required allowance for each segment. Historical loss factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific portfolio segment. Other considerations, such as volumes and trends of delinquencies, nonaccruals, repossessions and bankruptcies, criticized and classified loan trends, current and anticipated foreclosure losses, new products and policies, economic conditions, concentrations of credit risk, and experience and abilities of lending personnel, are also considered in establishing the loss factors.

All loans graded substandard in the amount of \$1 million or more and all credits graded doubtful in the amount of \$100 thousand or more are individually evaluated based on facts and circumstances of the loan and a specific allowance amount may be designated. Specific allowances may also be established for loans in amounts below the specific thresholds when it is determined that the risk differs significantly from factor amounts established for the category. Although management has allocated a portion of the allowance to specific loan categories using the methods described, the adequacy of the

allowance must be considered in its entirety. To mitigate the imprecision in most estimates of expected credit losses, the allocated component of the allowance is supplemented by an unallocated component. This is accomplished by assigning high and low loss ranges for each portfolio segment. The low range sets the minimum required reserve and the high range provides a best estimate for risks and uncertainties. The unallocated portion of the allowance incorporates management's judgmental determination of the amounts necessary for subjective factors such as economic uncertainties and concentration risks. Accordingly, the relationship of the unallocated component to the total allowance for loan losses may fluctuate from period to period.

ASSET SECURITIZATIONS When the Company sells receivables in securitizations of automobile loans, credit card receivables, home equity loans and small business loans, it may retain a cash reserve account, an interest-only strip, and in some cases a subordinated tranche, all of which are retained interests in the securitized receivables. Gain or loss on sale of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer. Quoted market prices are generally not available for retained interests. To obtain fair values, the Company estimates the present value of future expected cash flows using management's best judgment of key assumptions, including credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved.

PREMISES AND EQUIPMENT Premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation, computed on the straight-line method, is charged to operations over the estimated useful lives of the properties. Leasehold improvements are amortized over the terms of respective leases or the estimated useful lives of the improvements, whichever is shorter.

GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS Goodwill results from acquisitions made by the Company, and represents the excess of the purchase price over the fair value of net assets acquired. Substantially all of the Company's goodwill is amortized using the straight-line method over 25 years. Core deposit intangibles are amortized on an accelerated basis using an estimated useful life up to 10 years.

The Company reviews its intangible assets periodically for other-than-temporary impairment. If such impairment is indicated, recoverability of the asset is based on expected undiscounted net cash flows.

In the ordinary course of business, the Company enters into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are only recorded in the consolidated financial statements when they become payable. The credit risk associated with these commitments is considered in management's determination of the allowance for possible losses.

DERIVATIVE FINANCIAL INSTRUMENTS. The Company enters into a variety of off-balance sheet derivative financial instruments including interest rate exchange contracts (swaps), cap agreements, and spread maintenance agreements, as part of its overall asset and liability duration and interest rate risk management strategy. The objective of these financial instruments is to match estimated repricing periods of interest-sensitive assets and liabilities in order to reduce interest rate exposure and/or manage desired asset and liability duration. These instruments are generally used to hedge asset and liability portfolios and, therefore, are not marked to market. Fees associated with these financial instruments are accreted into interest income or amortized to interest expense on a straight-line basis over the lives of the contracts and agreements. Gains or losses on early termination of a swap are amortized over the remaining term of the contract when the underlying assets or liabilities still exist. Otherwise, such gains or losses are fully recorded as income or expense at the termination of the contract. The net interest received or paid on these contracts is reflected on a current basis in interest income or expense related to the hedged obligation or asset. The Company also enters into foreign exchange derivative financial instruments primarily as an accommodation to customers. These contracts are carried at fair market value with unrealized gains and losses recorded in noninterest income. Upon adoption of FASB Statement No. 133, the Company will modify its accounting for derivative financial instruments as appropriate to comply with the provisions of the Statement (see additional discussion in Note 2).

DEFERRED TAX ASSETS AND LIABILITIES. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Diluted net income per common share is based on the weighted-average outstanding common shares during each year, including common stock equivalents. Basic net income per common share is based on the weighted-average outstanding common shares during each year.

2. RECENT ACCOUNTING PRONOUNCEMENTS

FASB Statement No. 133, as amended by Statement Nos. 137 and 138, is effective for the Company as of January 1, 2001. Statement No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Statement requires that the Company recognize all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

Derivative instruments used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges under Statement No. 133, while derivative instruments used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. If the derivative is designated as a fair value hedge, the gain or loss on the derivative is recognized in earnings together with the offsetting loss or gain on the hedged asset, liability, or firm commitment attributable to the risk being hedged. If the derivative is designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and is subsequently recognized in earnings when the hedged forecasted transaction affects earnings. The ineffective portion of a derivative's gain or loss will be immediately recognized in earnings. Derivatives that are not hedges must be adjusted to fair value through earnings. On January 1, 2001, all hedging relationships were designated anew by the Company in accordance with the provisions of the new Statement.

Upon adoption of Statement No. 133, the Company estimates that the transition adjustment to establish the fair value of derivative instruments on the balance sheet will be a decrease in net income of approximately \$3 million (net of tax benefit of \$.2 million) and an increase in accumulated other comprehensive income of approximately \$21.3 million (net of tax expense of \$13.2 million). In addition, in accordance with the transition provisions of the Statement, the Company estimates that the effect of transferring held-to-maturity securities to either the trading or available-for-sale category will be a decrease in net income of approximately

\$2 million (net of tax benefit of \$.1 million) and an increase in accumulated other comprehensive income of approximately \$17.7 million (net of tax expense of \$9.9 million), respectively. Accordingly, the total transition adjustment related to the adoption of Statement No. 133 will be a decrease in net income of approximately \$.5 million (net of tax benefit of \$.3 million) and an increase in accumulated other comprehensive income of approximately \$39.0 million (net of tax expense of \$23.1 million). The transition adjustments will be presented as cumulative effect adjustments, as described in Accounting Principles Board Opinion No. 20, *Accounting Changes*, in the Company's 2001 consolidated financial statements. The transition will also affect assets and liabilities reported on the balance sheet. The transition amounts were determined based on the interpretive guidance issued by the FASB to date. However, the FASB continues to issue interpretive guidance, which could change the Company's application of Statement No. 133 and require adjustments to the transition amounts.

Statement No. 133, as applied to the Company's risk management strategies, will impact assets and liabilities reported on the balance sheet and may increase or decrease reported net income and shareholders' equity prospectively, but will have no effect on cash flows or economic risk. The ongoing effects of Statement No. 133 will depend on future market conditions and the Company's hedging activities.

FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, was issued in September 2000 and replaces Statement No. 125. Statement No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain additional disclosures related to transferred assets. The provisions of Statement No. 140 relating to the recognition and reclassification of collateral, as well as the disclosures relating to collateral and securitization transactions, became effective for the Company as of December 31, 2000 (see disclosures related to asset securitizations in Note 21). Other provisions related to the transfer and servicing of financial assets and extinguishments of liabilities are effective for transactions occurring after March 31, 2001.

Based on the Company's current position with respect to securitization transactions, including any planned revisions to existing agreements, management does not believe the new guidance will materially impact the Company's results of operations, financial position, or liquidity.

3. MERGERS AND ACQUISITIONS ACTIVITY

On June 6, 1999, the Company entered into a definitive Agreement and Plan of Merger (the "Agreement"), with First Security Corporation. First Security Corporation's stockholders unilaterally approved an alternative structure for the transaction at a meeting held on March 22, 2000. In a special meeting of shareholders held on March 31, 2000, the Company's shareholders declined to adopt the Agreement and the Company was notified the next day by First Security Corporation that it was terminating the Agreement. Included in merger-related expenses for 2000 are approximately \$40.5 million of pre-tax merger expenses related to the termination of the merger and related disengagement. Also included in results of operations for 2000 are a pre-tax impairment loss on First Security Corporation common stock of \$96.9 million recognized during the first quarter of the year and gains from the subsequent sale of the common stock of \$23.6 million.

On July 28, 2000, the Company completed the acquisition of County Bank, headquartered in Prescott, Arizona, in exchange for approximately 1.1 million shares of the Company's common stock. County Bank had assets of approximately \$247 million and total shareholders' equity of \$23 million. The acquisition was accounted for as a pooling of interests and was not considered material to the historical results of the Company and, accordingly, the Company's financial statements were not restated.

On October 5, 1999, the Company acquired all of the outstanding shares of Regency Bancorp ("Regency"), a bank holding company headquartered in Fresno, California, in exchange for approximately one million shares of the Company's common stock. The acquisition was accounted for as a purchase and, accordingly, the Company's financial statements reflect its operations from the date of acquisition. Goodwill of approximately \$33 million was recorded in the fourth quarter of 1999. The pro forma effect on prior period results of operations is not significant.

On October 15, 1999, the Company completed its acquisition of Pioneer Bancorporation ("Pioneer"), located in Reno, Nevada, resulting in the issuance of approximately 5.4 million shares of the Company's common stock for all the outstanding shares of Pioneer common stock in a tax-free exchange. The acquisition of Pioneer was accounted for as a pooling of interests and, accordingly, financial information for all periods presented prior to the date of acquisition was restated to present the combined financial condition and results of operations as if the acquisition had been in effect for all such periods. At September 30, 1999, Pioneer had assets of approximately \$1 billion, net loans of \$675 million, deposits of \$941 million, shareholders' equity of \$73 million, and net income for the nine months applicable to common shareholders of \$10.6 million.

On January 6, 1998, the Company completed its acquisition of Vectra Banking Corporation ("Vectra") and its banking subsidiary, Vectra Bank, located in Denver, Colorado, in exchange for 4.0 million shares of the Company's common stock. The acquisition was accounted for using the purchase method of accounting. The results of the acquisition are included in the periods subsequent to the acquisition date. Goodwill of \$129 million was recorded in the first quarter of 1998 in connection with this purchase.

On May 22, 1998, the Company acquired all the outstanding shares of FP Bancorp, Inc. ("FP") of Escondido, California, and its banking subsidiary, First Pacific National Bank. The Company issued 1.9 million shares of the Company's common stock. The acquisition was accounted for as a purchase; the results of the acquisition are included in the periods subsequent to the acquisition date. Goodwill of \$57 million was recorded in the second quarter of 1998 in connection with this purchase.

On September 8, 1998, the Company acquired The Commerce Bancorporation ("Commerce"), and its banking subsidiary, The Commerce Bank of Washington, N.A. for 1.9 million shares of the Company's common stock. On the date of acquisition, Commerce had total assets of \$318 million and total shareholders' equity of \$24 million. The acquisition was accounted for as a pooling of interests and, accordingly, financial information for all periods presented prior to the date of acquisition has been restated to present the combined financial condition and results of operations as if the acquisition had been in effect for all such periods.

On October 1, 1998, the Company acquired The Sumitomo Bank of California ("Sumitomo"), located in San Francisco, California. Cash consideration of approximately \$546.0 million was paid for the acquisition. Sumitomo had total assets of \$4.5 billion and total shareholders' equity of \$427 million at the date of acquisition. The acquisition was accounted for using the purchase method of accounting and, accordingly, the results of the acquisition are included in the periods subsequent to the acquisition date. The Company recorded \$107 million of goodwill with this transaction. Sumitomo and FP were merged with Grossmont Bank and the name was changed to California Bank & Trust ("CB&T"). The Company sold a minority interest in CB&T to a limited partnership and Director of the Company for its cost basis of approximately \$33 million.

During 1998, the Company completed the acquisition of four additional banking organizations in Colorado, namely Sky Valley Bank Corp., Tri-State Finance Corporation, Routt County National Bank Corporation, and SBT Bankshares, for

an aggregate of 2.4 million shares of common stock. These acquisitions were accounted for as purchases and, accordingly, the Company's financial statements reflect them from the date of acquisition. The Company recorded \$69 million in goodwill in connection with these purchases.

During 1998, the Company issued 1.7 million shares of the Company's common stock to acquire four additional banking organizations in Colorado, namely Kersey Bancorp., N.A., Eagle Holding Company, Citizens Banco, Inc., and Mountain Financial Holding Company. Each of these acquisitions was accounted for as a pooling of interests and was not considered material to the historical results of the Company and, accordingly, the Company's financial statements were not restated.

On November 20, 2000, the Company announced a definitive agreement to acquire Draper Bancorp ("Draper"), headquartered in Draper, Utah, and its banking subsidiary, Draper Bank, in exchange for Company common stock. At December 31, 2000, Draper had total assets of approximately \$242 million (unaudited). This transaction will be accounted for as a pooling of interests and will close in the first quarter of 2001.

On December 14, 2000, the Company announced a definitive agreement to acquire Eldorado Bancshares, Inc. ("Eldorado"), headquartered in Laguna Hill, California, and its banking subsidiaries, Eldorado Bank and Antelope Valley Bank. As of December 31, 2000, Eldorado had total assets of approximately \$1.3 billion (unaudited). The transaction will be accounted for as a purchase and is expected to close during the first quarter of 2001.

On December 27, 2000, the Company announced a definitive agreement with Pacific Century Financial Corporation to purchase nine Arizona branches. The purchase will include approximately \$225 million (unaudited) in loans, and approximately \$400 million (unaudited) in deposits, and branch facilities, and is expected to close during the second quarter of 2001.

Merger-related expenses for each of the years in the three-year period ended December 31, 2000 are presented below (in thousands):

	2000	1999	1998
Severance and other employee benefits	\$ 6,206	12,363	11,762
Equipment and occupancy expense	5,057	1,722	7,773
Integration of business operations	9,674	451	5,834
Integration of information systems	6,232	3,403	1,668
Legal and other professional fees	12,815	4,810	5,957
Other integration costs	5,508	4,942	5,134
	<u>\$ 45,492</u>	<u>27,691</u>	<u>38,128</u>

In connection with the terminated First Security Corporation merger, the Company incurred pre-tax merger expenses of \$40.5 million during 2000. These costs were comprised of \$5.0 million in severance and other employee benefits, \$3.1 million in equipment and occupancy related expense, \$9.7 million in integration of business operations, \$5.2 million in integration of information systems, \$12.4 million in legal and other professional fees, and \$5.1 million in other integration costs. In 2000, the Company paid \$.7 million of pre-tax expense in connection with the acquisition of County Bank, which consisted of \$.3 million in information system integration expense and \$.4 million in legal and professional fees.

During 2000, the Company also incurred \$4.3 million in merger-related expenses relating to previously consummated acquisitions of Sumitomo and Vectra. The expenses consisted of \$1.2 million in severance and other employee benefits, \$2.0 million in equipment and occupancy related expense, \$.7 million in integration of information systems, and \$.4 million in other integration related costs. As of December 31, 2000, \$1.4 million in severance, \$.1 million in equipment and occupancy expense, and \$.2 million in other integration costs related to the terminated First Security Corporation merger remain accrued. Also at December 31, 2000, approximately \$2.9 million in severance remains accrued relating to the acquisitions of Sumitomo, Regency and Vectra. The Company expects that substantially all of the unpaid merger expenses at December 31, 2000 will be paid in 2001.

In connection with the Regency and Pioneer mergers, the Company recorded pre-tax merger expenses of \$14.3 million in 1999. These costs were comprised of \$9.6 million in severance and other employee benefits, \$.3 million in integration of information systems, \$3.5 million in expenses for legal and other professional fees, and \$.9 million in other integration costs. During 1999, the Company paid \$4.5 million in accrued severance and other employee benefits and \$3.5 million in legal and other professional fees and other integration costs. As a result of the consolidation effort associated with Sumitomo, the Company recorded additional pre-tax merger expenses of \$8.4 million during 1999. Those costs were comprised of \$2.3 million in severance and other employee benefits, \$1.7 million in equipment and occupancy costs, \$.5 million in integration of business operations, \$3.1 million in integration of information systems, \$.3 million in legal and professional fees, and \$.5 million in other integration costs. During 1999, the Company paid \$.5 million in severance and other employee benefits, \$1.1 million in legal and other professional fees, and \$3.5 million in other integration costs associated with earlier acquisitions.

The Company recorded pre-tax merger expenses of \$38.1 million in 1998 in connection with the Sumitomo and eleven other mergers. The Sumitomo merger expenses included \$5.3

million in severance and other employee benefits, \$7.8 million in real property lease terminations, \$5.8 million in integration of business systems, and \$1.7 million in integration of information systems. In connection with the other eleven mergers, the Company incurred \$6.3 million in severance and other employee benefits, \$6.0 million in legal and other professional fees, and \$5.2 million in other integration costs. As a result of these twelve mergers, a liability of \$22.1 million was recorded in 1998 and was paid in total during 1999.

4. INVESTMENT SECURITIES

Investment securities as of December 31, 2000 are summarized as follows (in thousands):

	Amortized cost	Held to maturity		Estimated market value
		Gross unrealized gains	Gross unrealized losses	
U.S. Treasury securities	\$ 1,145	14	2	1,157
U.S. government agencies and corporations:				
Small Business Administration				
loan-backed securities	560,328	6,644	3,816	563,156
Other agency securities	1,268,763	24,732	8,350	1,285,145
States and political subdivisions	292,521	4,357	1,127	295,751
Mortgage-backed securities	1,002,676	7,119	2,264	1,007,531
	<u>\$ 3,125,433</u>	<u>42,866</u>	<u>15,559</u>	<u>3,152,740</u>

	Amortized cost	Available for sale		Estimated market value
		Gross unrealized gains	Gross unrealized losses	
U.S. Treasury securities	\$ 51,036	1,566	43	52,559
U.S. government agencies and corporations	93,924	353	403	93,874
States and political subdivisions	184,714	5,842	435	190,121
Mortgage- and other asset-backed securities	274,307	447	1,725	273,029
	<u>603,981</u>	<u>8,208</u>	<u>2,606</u>	<u>609,583</u>
Equity securities:				
Mutual funds:				
Accessor Funds, Inc.	159,264	1,245	798	159,711
Stock	17,417	4,810	9,055	13,172
	<u>\$ 780,662</u>	<u>14,263</u>	<u>12,459</u>	<u>782,466</u>

Investment securities as of December 31, 1999 are summarized as follows (in thousands):

	Amortized cost	Held to maturity		Estimated market value
		Gross unrealized gains	Gross unrealized losses	
U.S. Treasury securities	\$ 1,497	-	2	1,495
U.S. government agencies and corporations:				
Small Business Administration loan-backed securities	439,818	7,077	2,284	444,611
Other agency securities	1,269,677	445	36,903	1,233,219
States and political subdivisions	313,743	1,265	6,146	308,862
Mortgage-backed securities	1,305,709	4,448	7,836	1,302,321
	\$ 3,330,444	13,235	53,171	3,290,508

	Amortized cost	Available for sale		Estimated market value
		Gross unrealized gains	Gross unrealized losses	
U.S. Treasury securities	\$ 93,106	178	455	92,829
U.S. government agencies and corporations	50,682	28	920	49,790
States and political subdivisions	102,108	165	5,025	97,248
Mortgage- and other asset-backed securities	146,920	350	4,453	142,817
	392,816	721	10,853	382,684
Equity securities:				
Mutual funds:				
Accessor Funds, Inc.	140,935	186	2,447	138,674
Stock	242,700	14,921	49	257,572
	\$ 776,451	15,828	13,349	778,930

The amortized cost and estimated market value of investment securities as of December 31, 2000 by contractual maturity, excluding equity securities, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands):

	Held to maturity		Available for sale	
	Amortized cost	Estimated market value	Amortized cost	Estimated market value
Due in one year or less	\$ 435,938	437,910	69,444	69,537
Due after one year through five years	2,110,156	2,109,913	209,293	211,306
Due after five years through ten years	250,940	255,717	114,787	114,784
Due after ten years	328,399	349,200	210,457	213,956
	\$ 3,125,433	3,152,740	603,981	609,583

Gross gains of \$27.5 million, \$2.4 million, and \$9.4 million and gross losses of \$12.7 million, \$5.4 million, and \$5.3 million were recognized in "Investment securities gain (loss), net" on sales and write-downs of investment securities for the years ended December 31, 2000, 1999, and 1998, respectively. The Company also recognized a pre-tax impairment loss of \$96.9 million in 2000 on a write-down of First Security Corporation common stock.

Net gains from securities held by the Company's venture capital subsidiaries, and included in other noninterest income, were \$.9 million in 2000 and \$42.6 million in 1999. Consolidated net income includes a net loss of approximately \$1.5 million in 2000 and net income of approximately \$22.9 million in 1999 from the Company's venture capital subsidiaries.

As of December 31, 2000 and 1999, securities with an amortized cost of \$2,130 million and \$1,730 million, respectively, were pledged to secure public and trust deposits, advances, and for other purposes as required by law.

5. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are summarized as follows at December 31 (in thousands):

	2000	1999
Loans held for sale	\$ 181,159	204,800
Commercial, financial, and agricultural	3,614,977	3,036,229
Real estate:		
Construction	2,273,191	1,722,295
Other	7,363,070	6,902,855
Consumer	607,079	597,375
Lease financing	317,292	274,732
Foreign	26,263	52,697
Other receivables	75,127	62,142
	\$ 14,458,158	12,853,125

As of December 31, 2000 and 1999, loans with a carrying value of \$1,426 million and \$1,140 million, respectively, were pledged as security for Federal Home Loan Bank advances.

Sales of loans held for sale were \$533 million in 2000, \$879 million in 1999, and \$1,238 million in 1998. Gain on the sales, excluding servicing, of both loans held for sale and loan securitizations was \$33.5 million in 2000, \$24.2 million in 1999, and \$36.2 million in 1998.

Changes in the allowance for loan losses are summarized as follows (*in thousands*):

	2000	1999	1998
Balance at beginning of year	\$ 204,114	212,557	88,622
Allowance for loan losses of companies acquired	1,961	2,623	125,691
Additions:			
Provision for loan losses	31,811	17,956	14,034
Recoveries	10,290	16,544	9,416
Deductions:			
Loan charge-offs	(52,641)	(45,566)	(25,206)
Balance at end of year	\$ 195,535	204,114	212,557

At December 31, 2000, 1999, and 1998, the allowance for loan losses includes an allocation of \$22 million, \$23 million, and \$20 million, respectively, related to commitments to extend credit and standby letters of credit.

The Company's total recorded investment in impaired loans was \$46 million and \$57 million at December 31, 2000 and 1999, respectively. Impaired loans of \$16 million and \$22 million at December 31, 2000 and 1999 required an allowance of \$10 million and \$16 million, respectively, which is included in the allowance for loan losses. Contractual interest due and interest foregone on impaired loans were \$9.1 million and \$6.7 million, respectively, for 2000, \$5.3 million and \$3.2 million, respectively, for 1999, and \$3.8 million and \$2.1 million, respectively, for 1998. The average recorded investment in impaired loans was \$57 million in 2000, \$27 million in 1999, and \$18 million in 1998.

6. CONCENTRATIONS OF CREDIT RISK

Credit risk includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. Concentrations of credit risk from financial instruments (whether on- or off-balance sheet) occur when groups of customers or counterparties having similar economic characteristics are unable to meet contractual obligations when similarly affected by changes in economic or other conditions. The Company limits its exposure to any individual customer or counterparty.

Most of the Company's business activity is with customers located in the states of Utah, Idaho, California, Nevada, Arizona, Colorado, and Washington. The commercial loan portfolio is well diversified, consisting of 11 major industry classification groupings. As of December 31, 2000, the larger concentrations of risk in the commercial loan and leasing portfolio are represented by the real estate, construction, business services and transportation industry groupings. The Company has minimal credit exposure from lending transactions with highly leveraged entities. The majority of foreign loans are supported by domestic real estate or letters of credit.

7. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows at December 31 (*in thousands*):

	2000	1999
Land	\$ 53,884	50,209
Buildings	166,607	150,399
Furniture and equipment	288,882	263,270
Leasehold improvements	71,160	64,887
Total	580,533	528,765
Less accumulated depreciation and amortization	265,595	241,317
Net book value	\$ 314,938	287,448

8. DEPOSITS

At December 31, 2000, the scheduled maturities of all time deposits are as follows (*in thousands*):

2001	\$2,459,550
2002	393,390
2003	120,812
2004	44,849
2005 and thereafter	59,194
	<u>\$3,077,795</u>

At December 31, 2000, the contractual maturities of time deposits with a denomination of \$100,000 or more were as follows: \$549 million in 3 months or less, \$295 million over 3 months through 6 months, \$399 million over 6 months through 12 months and \$206 million over 12 months.

Deposit overdrafts that have been reclassified as loan balances were \$43 million and \$21 million at December 31, 2000 and 1999, respectively.

9. SHORT-TERM BORROWINGS

Short-term borrowings generally mature in less than 30 days. The following table shows selected information for these borrowings (*in thousands*):

	2000	1999	1998
Federal funds purchased:			
Average amount outstanding	\$ 851,465	717,085	401,412
Weighted average rate	6.12%	4.91%	4.61%
Highest month end balance	1,069,124	866,716	594,503
Year-end balance	1,069,124	825,997	337,283
Weighted average rate on outstandings at year-end	6.28%	4.69%	4.58%
Security repurchase agreements:			
Average amount outstanding	\$ 1,895,421	1,651,514	1,507,196
Weighted average rate	5.68%	4.44%	4.77%
Highest month end balance	2,664,768	2,462,928	1,771,702
Year-end balance	1,327,721	1,366,653	992,671
Weighted average rate on outstandings at year-end	5.56%	4.53%	4.40%

The Company participates in overnight and term security repurchase agreements. Most of the overnight agreements are performed with sweep accounts in conjunction with a master repurchase agreement. In this case, securities under the Company's control are pledged for and interest is paid on the collected balance of the customers' accounts. For term repurchase agreements, securities are transferred to the applicable counterparty. The counterparty, in certain instances, is contractually entitled to sell or repledge securities accepted as collateral. The carrying amount of such securities is disclosed in the consolidated balance sheet as of December 31, 2000.

10. FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

Federal Home Loan Bank (FHLB) advances and other borrowings over one year are summarized as follows at December 31 (*in thousands*):

	2000	1999
FHLB advances, 5.52%–8.32%	\$ 131,276	100,622
Notes payable, 5.66%–8.08%	12,500	12,000
	\$ 143,776	112,622

The FHLB advances are borrowed by Zions First National Bank (ZFNB) and Vectra Bank Colorado, N.A. (Vectra), wholly owned subsidiaries, under their lines of credit with the Federal Home Loan Banks of Seattle and Topeka, respectively. The lines of credit are secured under a blanket pledge whereby ZFNB and Vectra maintain unencumbered collateral with

a carrying amount, which has been adjusted using a pledge requirement percentage based upon the types of collateral pledged, equal to at least 100 percent of outstanding advances.

Interest expense on FHLB advances and other borrowings over one year was \$8.5 million, \$4.8 million, and \$6.6 million for the years ended December 31, 2000, 1999, and 1998, respectively.

Maturities of FHLB advances and other borrowings with original maturities over one year are as follows at December 31, 2000 (*in thousands*):

2001	\$ 103,316
2002	3,005
2003	3,754
2004	2,570
2005	5,833
Thereafter	25,298
	\$ 143,776

11. LONG-TERM DEBT

Long-term debt at December 31 is summarized as follows (*in thousands*):

	2000	1999
Guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures	\$ 189,575	223,000
Subordinated notes:		
Floating rate subordinated notes, maturity in 2005 and 2008	177,000	177,000
8.625% subordinated note, maturity in 2002	50,000	50,100
Capital leases and other notes payable	2,975	3,371
	\$ 419,550	453,471

The guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures include \$170.1 million of 8.536 percent debentures issued by Zions Institutional Capital Trust A (ZICTA), \$2.0 million of 10.25 percent debentures issued by GB Capital Trust (GBCT), and \$17.5 million of 9.50 percent debentures issued by VBC Capital I Trust (VBCCIT).

The ZICTA debentures are direct and unsecured obligations of ZFNB and are subordinate to the claims of depositors and general creditors. The Company has irrevocably and unconditionally guaranteed all of ZFNB's obligations under the debentures. The GBCT and VBCCIT debentures are direct and unsecured obligations of the Company through the acquisition of GB Bancorporation and Vectra Banking Corporation, and are subordinate to other indebtedness and general creditors of the Company. ZICTA, GBCT, and VBCCIT debentures have the right, with the approval of banking regulators, to early

redemption in 2006, 2007, and 2002, respectively. ZICTA and GBCT debentures require semiannual interest payments and mature on December 15, 2026 and January 15, 2027, respectively. VBCCIT debentures require quarterly interest payments and mature on April 30, 2027.

Floating-rate subordinated notes consist of \$67 million callable quarterly beginning in 2000 and \$110 million callable in 2003. These notes require quarterly interest payments. The 8.625 percent subordinated note is not redeemable prior to maturity and requires semiannual interest payments. All subordinated notes are unsecured.

Interest expense on long-term debt was \$34.2 million, \$35.1 million and \$29.1 million for the years ended December 31, 2000, 1999, and 1998, respectively.

Maturities and sinking fund requirements on long-term debt are as follows for the years succeeding December 31, 2000 (*in thousands*):

	Consolidated	Parent only
2001	\$ 378	-
2002	50,415	50,000
2003	450	-
2004	446	-
2005	67,354	67,000
Thereafter	300,507	110,000
	\$ 419,550	227,000

12. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers, to reduce its own exposure to fluctuations in interest rates, and to make a market in U.S. government, agency, and municipal securities. These financial instruments involve, to varying degrees, elements of credit, liquidity, and interest rate risk in excess of the amount recognized in the balance sheets.

Contractual amounts of the off-balance sheet financial instruments used to meet the financing needs of the Company's customers are as follows (*in thousands*):

	2000	1999
Commitments to extend credit	\$ 6,991,330	5,810,745
Standby letters of credit:		
Performance	81,607	79,184
Financial	180,826	110,676
Commercial letters of credit	11,831	17,689

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing properties.

Establishing commitments to extend credit gives rise to credit risk. As of December 31, 2000, a significant portion of the Company's commitments is expected to expire without being drawn upon; commitments totaling \$4.9 billion expire in 2001. As a result, the Company's actual future credit exposure or liquidity requirements will be lower than the contractual amounts of the commitments. The Company uses the same credit policies and procedures in making commitments to extend credit and conditional obligations as it does for on-balance sheet instruments. These policies and procedures include credit approvals, limits, and monitoring.

Standby and commercial letters of credit are conditional commitments issued by the Company generally to guarantee the performance of a customer to a third party. The guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Standby letters of credit include commitments in the amount of \$217.5 million expiring in 2001 and \$44.9 million expiring thereafter through 2009. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds marketable securities and cash equivalents as collateral supporting those commitments for which collateral is deemed necessary.

The Company enters into interest rate caps, spread maintenance agreements, exchange contracts (swaps), and forward agreements as part of its overall asset and liability duration and interest rate risk management strategy. These transactions enable the Company to manage asset and liability durations, and transfer, modify, or reduce its interest rate risk. The notional amounts of the contracts are used to express volume, but the amounts potentially subject to credit risk are much smaller. Exposure to credit risk arises from the possibility of nonperformance by counterparties to the interest rate contracts. The Company controls this credit risk (except futures contracts and interest rate cap contracts written, for which credit risk is de minimus) through credit approvals, limits, and monitoring procedures. No losses associated with counterparty nonperformance on interest rate contracts have occurred. Nevertheless, the related credit risk is considered and measured when and where appropriate.

Notional values of interest rate and foreign exchange contracts are summarized as follows (*in thousands*):

	2000	1999
Caps and spread maintenance agreements	\$ 2,073,827	875,634
Interest rate swaps	2,022,011	711,228
Basis swaps	2,537,860	-
Foreign exchange forwards	41,214	14,885

Interest rate caps and spread maintenance agreements obligate one of the parties to the contract to make payments to the other if an interest rate index exceeds a specified upper "capped" level or if contractual interest rate spreads fall below specified levels. These derivative instruments, to which the Company is a party at December 31, 2000, have remaining terms of less than one year to twenty-six years.

Interest rate swaps generally involve the exchange of fixed and variable rate interest payment obligations based on an underlying notional value, without the exchange of the notional value. Entering into interest rate swap agreements involves not only the risk of dealing with counterparties and their ability to meet the terms of the contract, but also the interest rate risk associated with unmatched positions. Interest rate swaps, to which the Company is a party at December 31, 2000, have remaining terms ranging from under one year to six years.

Forwards are contracts for the delayed delivery of financial instruments in which the seller agrees to deliver on a specified future date, a specified instrument, at a specified price or yield. As of December 31, 2000, the Company's forward contracts have remaining terms ranging from under one month to four months.

As a market maker in U.S. government, agency, and municipal securities, the Company enters into agreements to purchase and sell such securities. As of December 31, 2000 and 1999, the Company had outstanding commitments to purchase securities of \$299 million and \$240 million, respectively, and outstanding commitments to sell securities of \$181 million and \$243 million, respectively. These agreements at December 31, 2000 have remaining terms of one month or less.

The contractual or notional amount of financial instruments indicates a level of activity associated with a particular class of financial instrument and is not a reflection of the actual level of risk. As of December 31, 2000 and 1999, the regulatory risk-weighted values assigned to all off-balance sheet financial instruments described herein totaled \$1,452 million and \$1,389 million, respectively.

At December 31, 2000, the Company has drawn the total \$65 million available in lines of credit from two separate institutions, with interest rates ranging from 7.00 percent to 7.18 percent. There were no compensating balance arrangements on either of these lines of credit.

At December 31, 2000, the Company was required to maintain a cash balance of \$32 million with the Federal Reserve Banks to meet minimum balance requirements in accordance with Federal Reserve Board regulations.

The Company is a defendant in various legal proceedings arising in the normal course of business. The Company does not believe that the outcome of any such proceedings will have a material adverse effect on its consolidated financial position, operations, or liquidity.

The Company has commitments for leasing premises and equipment under the terms of noncancelable capital and operating leases expiring from 2001 to 2067. Premises leased under capital leases were recorded at \$13.7 million, net of \$12.4 million accumulated amortization at December 31, 2000. Amortization charges applicable to premises leased under capital leases are included in depreciation expense. Future aggregate minimum rental payments under existing noncancelable operating leases at December 31, 2000 are as follows (*in thousands*):

2001	\$ 27,332
2002	25,849
2003	24,065
2004	22,179
2005	19,497
Thereafter	103,395
	<u>\$ 222,317</u>

Future aggregate minimum rental payments have been reduced by noncancelable subleases as follows: 2001, \$1.2 million; 2002, \$1.1 million; 2003, \$1.0 million; 2004, \$.9 million; 2005, \$.6 million; and thereafter \$2.2 million. Aggregate rental expense on operating leases amounted to \$40.0 million, \$40.3 million, and \$33.3 million for the years ended December 31, 2000, 1999, and 1998, respectively.

13. STOCK OPTIONS

The Company adopted a qualified stock option plan in 1981, under which stock options may be granted to key employees, and a nonqualified plan under which options may be granted to nonemployee directors. Under the qualified and nonqualified plans, 3,244,000 and 400,000 shares, respectively, of common stock were reserved. During 2000 the qualified plan was amended and options equal to 2% of the issued and outstanding shares of the Company's common stock as of the first day of the year are automatically reserved for issuance under the plan.

No compensation expense was recorded for the qualified and nonqualified option plans, as the exercise price was equal to the quoted market price of the stock at the time of grant. Under the qualified plan, options are exercisable in increments from one to three years after the date of grant and expire seven years after the date of grant. Options granted previous to 2000 are generally exercisable in increments from one to four years after the date of grant and expire six years after the date of grant. Under the nonqualified plan, options are exercisable in increments from six months to three and a half years after the date of grant and expire ten years after the date of grant. At December 31, 2000, there were 787,406 and 223,000 additional shares available for grant under the qualified and nonqualified plans, respectively.

In 1998, the Company adopted a broad-based employee stock option plan in substitution of an employee profit-sharing plan. Substantially all participants of the employee profit-sharing plan are eligible to participate in this plan. Participation in this plan requires employment for a full year prior to the option grant date with service of 20 hours a week or more. However, executive officers of the Company are not eligible to participate in this plan. Stock options are granted to eligible employees based on an internal job grade structure. All options vest at the rate of one third each year with expiration at four years after date of grant. At December 31, 2000, there were 1,500,000 options authorized with 788,432 options outstanding. The plan is non-compensatory and results in no compensation expense recognized by the Company, as the exercise price of the options is equal to the quoted market price of the stock at the option grant date.

The per share weighted-average fair value of stock options granted during 2000, 1999, and 1998 was \$13.09, \$19.20, and \$14.95, respectively, on the date of grant as valued using the Black-Scholes option-pricing model. The following weighted-average assumptions were used in 2000, 1999, and 1998: expected dividend yield of 1.5%, expected volatility ranging from 26.6% to 39.4%, risk-free interest rates ranging from 4.1% to 6.8%, and expected life ranging from 2 to 7.5 years.

Had the Company determined compensation cost based on the fair value at the grant date for its stock options under FASB Statement No. 123, the Company's net income and net income per common share would have been reduced to the pro forma amounts indicated below:

	2000	1999	1998
Net income			
(in thousands):			
As reported	\$ 161,709	194,064	143,353
Pro forma	145,773	183,689	133,863
Net income per common share:			
As reported:			
Basic	\$ 1.87	2.29	1.77
Diluted	1.86	2.26	1.75
Pro forma:			
Basic	1.69	2.17	1.65
Diluted	1.67	2.14	1.63

Pro forma amounts reflect only stock-based compensation grants made after 1994. The full impact of calculating compensation cost for stock options under Statement No. 123 is not reflected in the pro forma amounts presented previously because compensation cost is reflected over the options' vesting period, and compensation cost of options granted prior to January 1, 1995 is not considered.

The following table is a summary of the Company's stock option activity and related information for the three years ended December 31, 2000:

	Number of shares	Weighted- average exercise price
Balance at		
December 31, 1997	1,877,123	\$ 16.57
Acquired	430,998	11.35
Granted	1,343,612	45.62
Exercised	(659,168)	11.38
Forfeited	(25,964)	32.82
Balance at		
December 31, 1998	2,966,601	29.98
Acquired	64,652	27.26
Granted	1,172,542	65.29
Exercised	(625,537)	20.06
Forfeited	(232,567)	42.32
Balance at		
December 31, 1999	3,345,691	43.30
Acquired	132,097	11.48
Granted	1,993,961	43.38
Exercised	(409,935)	18.25
Forfeited	(328,223)	51.03
Balance at		
December 31, 2000	4,733,591	43.98

Outstanding options
exercisable as of:

December 31, 2000	1,701,254	36.55
December 31, 1999	1,222,187	26.62
December 31, 1998	1,116,087	14.90

Selected information on stock options as of December 31, 2000 follows:

Outstanding options				Exercisable options	
Exercise price range	Number of shares	Weighted- average exercise price	Weighted- average remaining contractual life (years)	Number of shares	Weighted- average exercise price
\$2.37 to					
\$6.91	36,484	\$ 4.10	6.40	36,484	\$ 4.10
\$6.92 to					
\$13.83	206,363	11.15	3.30	201,290	11.10
\$13.84 to					
\$20.74	263,860	17.31	3.30	241,997	17.36
\$20.75 to					
\$27.65	155,967	24.39	4.20	121,716	24.77
\$27.66 to					
\$34.56	343,707	30.86	2.70	250,001	30.81
\$34.57 to					
\$41.48	31,695	40.25	6.20	23,195	40.34
\$41.49 to					
\$48.39	1,962,364	42.62	5.60	235,911	43.18
\$48.40 to					
\$55.30	899,094	49.90	3.50	354,339	49.63
\$55.31 to					
\$62.21	23,484	55.79	4.60	1,046	55.98
\$62.22 to					
\$69.13	810,573	68.69	4.20	235,275	68.45
	4,733,591	\$ 43.98	4.50	1,701,254	\$ 36.55

14. NET INCOME PER COMMON SHARE

Basic and diluted net income per common share, based on the weighted-average outstanding shares, are summarized as follows (in thousands, except per share amounts):

	2000	1999	1998
Basic:			
Net income	\$ 161,709	194,064	143,353
Less preferred dividends	-	34	46
Net income applicable to common stock	161,709	194,030	143,307
Average common shares outstanding	86,320	84,613	80,788
Net income per common share - basic	\$ 1.87	2.29	1.77
Diluted:			
Net income applicable to common stock	\$ 161,709	194,030	143,307
Average common shares outstanding	86,320	84,613	80,788
Stock option adjustment	800	1,082	1,130
Average common shares outstanding - diluted	87,120	85,695	81,918
Net income per common share - diluted	\$ 1.86	2.26	1.75

15. SHAREHOLDER RIGHTS PROTECTION PLAN

The Company has in place a Shareholder Rights Protection Plan. The Shareholder Rights Protection Plan contains provisions intended to protect shareholders in the event of unsolicited offers or attempts to acquire the Company, including offers that do not treat all shareholders equally, acquisitions in the open market of shares constituting control without offering fair value to all shareholders, and other coercive or unfair takeover tactics that could impair the Board of Directors' ability to represent shareholders' interests fully. The Shareholder Rights Protection Plan provides that attached to each share of common stock is one right (a "Right") to purchase one one-hundredth of a share of participating preferred stock for an exercise price of \$90, subject to adjustment.

The Rights have certain anti-takeover effects. The Rights may cause substantial dilution to a person who attempts to acquire the Company without the approval of the Board of Directors. The Rights, however, should not affect offers for all outstanding shares of common stock at a fair price and, otherwise, in the best interests of the Company and its shareholders as determined by the Board of Directors. The Board of Directors may, at its option, redeem all, but not fewer than all, of the then outstanding Rights at any time until the 10th business day following a public announcement that a person or a group has acquired beneficial ownership of 10 percent or more of the Company's outstanding common stock or total voting power.

16. INCOME TAXES

Income taxes are summarized as follows (in thousands):

	2000	1999	1998
Federal:			
Current	\$ 59,038	46,485	64,855
Deferred	6,342	43,648	(4,978)
State	14,281	19,365	9,755
	<u>\$ 79,661</u>	<u>109,498</u>	<u>69,632</u>

A reconciliation between income tax expense computed using the statutory federal income tax rate of 35 percent and actual income tax expense is as follows (in thousands):

	2000	1999	1998
Income tax expense at statutory federal rate	\$ 85,016	107,979	74,694
State income taxes, net	9,283	12,587	6,341
Nondeductible expenses	10,944	11,232	8,643
Nontaxable interest	(17,217)	(13,893)	(9,125)
Tax credits and other taxes	(1,874)	(1,819)	(1,877)
Corporate reorganization	(6,416)	(6,416)	(6,117)
Decrease in valuation allowance	-	-	(1,992)
Other items	(75)	(172)	(935)
Income tax expense	<u>\$ 79,661</u>	<u>109,498</u>	<u>69,632</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2000 and 1999, are presented below (in thousands):

	2000	1999
Gross deferred tax assets:		
Book loan loss deduction in excess of tax	\$ 75,388	78,979
Postretirement benefits	1,365	722
Deferred compensation	9,862	8,996
Deferred loan fees	1,829	2,498
Deferred agreements	2,261	2,650
Capital leases	516	1,648
Other real estate owned	260	4,584
Accrued severance costs	252	1,685
Capital loss carryforward	27,470	-
Other	19,259	23,452
Total deferred tax assets	<u>138,462</u>	<u>125,214</u>
Gross deferred tax liabilities:		
Core deposits and purchase accounting	(23,358)	(27,609)
Premises and equipment, due to differences in depreciation	(5,690)	(4,566)
FHLB stock dividends	(25,276)	(21,320)
Leasing operations	(46,511)	(33,416)
Security investments	(20,139)	(20,192)
Prepaid pension reserves	(1,730)	(2,559)
Mortgage servicing	(112)	(202)
Other	(6,401)	(1,377)
Total deferred tax liabilities	<u>(129,217)</u>	<u>(111,241)</u>
FASB Statement No. 115 market equity adjustment	2,174	2,628
Net deferred tax assets	<u>\$ 11,419</u>	<u>16,601</u>

The Company has determined that it is not required to establish a valuation reserve for the net deferred tax assets since it is "more likely than not" that such net assets will be principally realized through future taxable income and tax planning strategies. The Company's conclusion that it is "more likely than not" that the net deferred tax assets will be realized is based on history of growth in earnings and the prospects for continued growth and profitability.

The exercise of stock options under the Company's nonqualified stock option plan, and nonqualified exercises of options under the qualified plan, resulted in tax benefits reducing the Company's current income tax payable and increasing common stock by \$3.4 million, \$8.6 million, and \$3.4 million in 2000, 1999, and 1998, respectively.

17. REGULATORY MATTERS

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by

regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2000, that the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 2000, the Company's capital ratios significantly exceed the minimum capital levels, and the Company is considered well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Company must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events that management believes have changed the Company's category.

Dividends declared by the Company's national banking subsidiaries in any calendar year may not, without the approval of the appropriate federal regulator, exceed their net earnings for that year combined with their net earnings less dividends paid for the preceding two years. At December 31, 2000, the Company's subsidiaries had approximately \$117.6 million available for the payment of dividends under the foregoing restrictions.

The actual capital amounts and ratios of the Company and significant banking subsidiaries are as follows (*in thousands*):

	Actual		Minimum for capital adequacy purposes		To be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2000:						
Total capital (to risk-weighted assets)						
The Company	\$ 1,737,176	10.83%	\$ 1,282,874	8.00%	\$ 1,603,593	10.00%
Zions First National Bank	680,382	12.30	442,604	8.00	553,255	10.00
California Bank & Trust	584,124	10.71	436,446	8.00	545,558	10.00
Tier I capital (to risk-weighted assets)						
The Company	1,368,041	8.53	641,437	4.00	962,156	6.00
Zions First National Bank	448,729	8.11	221,302	4.00	331,953	6.00
California Bank & Trust	405,891	7.44	218,223	4.00	327,335	6.00
Tier I capital (to average assets)						
The Company	1,368,041	6.38	643,265	3.00	1,072,108	5.00
Zions First National Bank	448,729	5.36	251,323	3.00	418,871	5.00
California Bank & Trust	405,891	6.20	196,278	3.00	327,130	5.00
As of December 31, 1999:						
Total capital (to risk-weighted assets)						
The Company	\$ 1,646,581	11.29%	\$ 1,167,056	8.00%	\$ 1,458,820	10.00%
Zions First National Bank	692,026	14.73	375,744	8.00	469,680	10.00
California Bank & Trust	527,964	10.32	409,093	8.00	511,367	10.00
Tier I capital (to risk-weighted assets)						
The Company	1,260,090	8.64	583,528	4.00	875,292	6.00
Zions First National Bank	432,845	9.22	187,872	4.00	281,808	6.00
California Bank & Trust	353,777	6.92	204,547	4.00	306,820	6.00
Tier I capital (to average assets)						
The Company	1,260,090	6.16	613,398	3.00	1,022,331	5.00
Zions First National Bank	432,845	5.61	231,406	3.00	385,676	5.00
California Bank & Trust	353,777	5.68	186,973	3.00	311,622	5.00

18. RETIREMENT PLANS

The Company has a noncontributory defined benefit pension plan for eligible employees. Plan benefits are based on years of service and employees' compensation levels. Benefits vest under the plan upon completion of five years of service. Plan assets consist principally of corporate equity and debt securities and cash investments. Plan benefits are defined as a lump-sum cash value or an annuity at age 65.

The following table presents the change in the plan's benefit obligation for the years ended December 31, 2000 and 1999 (in thousands):

	2000	1999
Benefit obligation at beginning of year	\$ 106,390	108,973
Service cost	7,026	8,294
Interest cost	8,137	7,397
Actuarial (gain) loss	5,274	(7,379)
Benefits paid	(9,313)	(10,895)
Benefit obligation at end of year	\$ 117,514	106,390

Plan assets include 123,142 shares of Company common stock as of December 31, 2000 and 88,558 shares as of December 31, 1999. The following table presents the change in plan assets for the years ended December 31, 2000 and 1999 (in thousands):

	2000	1999
Fair value of plan assets at beginning of year	\$ 138,989	107,245
Actual return on plan assets	(9,918)	25,595
Employer contributions	-	17,044
Benefits paid	(9,313)	(10,895)
Fair value of plan assets at end of year	\$ 119,758	138,989

The following table presents the plan's funded status reconciled with amounts recognized in the Company's consolidated balance sheets at December 31, 2000 and 1999 (in thousands):

	2000	1999
Funded status	\$ 2,244	32,599
Unrecognized net actuarial (gain) loss	6,581	(21,302)
Unrecognized prior service cost	(2,243)	(2,646)
Net prepaid benefit cost	\$ 6,582	8,651

Net periodic benefit cost recognized for the years ended December 31, 2000, 1999, and 1998 includes the following components (in thousands):

	2000	1999	1998
Service cost	\$ 7,026	8,294	5,587
Interest cost	8,137	7,397	5,192
Expected return on plan assets	(12,059)	(9,300)	(6,851)
Amortization of prior service cost	(403)	(385)	(385)
Amortization of transitional asset	-	(431)	(625)
Recognized actuarial (gain) loss	(632)	-	39
Net periodic benefit cost recognized	\$ 2,069	5,575	2,957

The weighted average discount rate used in determining the pension benefit obligation was 7.50 percent in 2000 and 8.00 percent in 1999. The rate of compensation increase was 5.00 percent and the expected long-term rate of return was 9.00 percent for both 2000 and 1999. Any net transition asset or obligation and any unrecognized prior service cost are being amortized on a straight-line basis. Unrecognized gains and losses are amortized using the minimum recognition method.

The Company also sponsors three unfunded nonqualified supplemental executive retirement plans, which restore pension benefits limited by federal tax law. At December 31, 2000 and 1999, the Company's liability, included in accrued expenses, totaled \$7.1 million and \$5.7 million, respectively.

In addition to the Company's defined benefit pension plan, the Company sponsors a defined benefit health care plan that provides postretirement medical benefits to full-time employees hired before January 1, 1993, who meet minimum age and service requirements. The plan is contributory, with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. Plan coverage is provided by self-funding or health maintenance organizations (HMOs) options. Reductions in the Company's obligations to provide benefits resulting from cost sharing changes have been applied to reduce the plan's unrecognized transition obligation. During 1999 and 2000, the Company adopted several plan revisions that changed the liability for retiree medical coverage. In 1999 the Company eliminated retiree medical coverage for future California Bank & Trust employees and capped the Company's contributions for current California Bank & Trust employees to make these benefits consistent with

benefits provided to other employees of the Company. In 2000 the Company increased its contribution toward retiree medical coverage and permanently froze the Company contributions. In the future, retirees will pay the difference between the full premium rates and the capped Company contribution.

The following table presents the change in the plan's benefit obligation for the years ended December 31, 2000 and 1999 (*in thousands*):

	2000	1999
Benefit obligation at beginning of year	\$ 5,683	12,306
Service cost	265	91
Interest cost	767	852
Plan amendments	2,376	(1,950)
Actuarial (gain) loss	39	(1,874)
Benefits paid	(1,156)	(148)
Curtailments	940	(3,594)
Benefit obligation at end of year	\$ 8,914	5,683

The following table presents the plan's funded status reconciled with amounts recognized in the Company's consolidated balance sheets at December 31, 2000 and 1999 (*in thousands*):

	2000	1999
Benefit obligation at end of year	\$ 8,914	5,683
Unamortized prior service cost	(341)	1,950
Unrecognized net actuarial gain	2,896	3,377
Accrued benefit cost	\$ 11,469	11,010

Net periodic benefit cost recognized for the years ended December 31, 2000, 1999, and 1998 includes the following components (*in thousands*):

	2000	1999	1998
Service cost	\$ 265	91	114
Interest cost	767	852	230
Recognized prior service cost	85	-	-
Recognized net gain	(441)	(317)	(515)
Net periodic benefit cost	676	626	(171)
Recognized curtailment (gain) loss	940	(3,594)	-
Recognized liability due to acquisitions	-	-	8,833
Net periodic benefit cost (credit) after recognition of extraordinary items	\$ 1,616	(2,968)	8,662

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.5 percent at December 31, 2000 and 8.0 percent at December 31, 1999.

Because the Company's contribution rate is capped, there is no effect from assumed increases or decreases in healthcare cost trend rates.

The Company has an Employee Stock Savings Plan and an Employee Investment Savings Plan (PAYSHELTER). Under PAYSHELTER, employees select from a nontax-deferred or tax-deferred plan and several investment alternatives. Employees can contribute from 1 to 15 percent of compensation, which is matched up to 50 percent by the Company for contributions up to 5 percent and 25 percent for contributions greater than 5 percent up to 10 percent. The Company's contributions to the plans amounted to \$5.5 million, \$5.3 million, and \$3.7 million for the years ended December 31, 2000, 1999, and 1998, respectively.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value and estimated fair value of principal financial instruments are summarized as follows (*in thousands*):

	December 31, 2000		December 31, 1999	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
Cash and due from banks	\$ 1,047,252	1,047,252	898,300	898,300
Money market investments	528,067	528,067	525,169	525,169
Investment securities	4,188,309	4,215,616	4,437,219	4,397,283
Loans, net	14,182,498	14,682,170	12,586,531	12,627,743
Total financial assets	\$ 19,946,126	20,473,105	18,447,219	18,448,495
Financial liabilities:				
Demand, savings, and money market deposits	\$ 11,855,794	11,855,794	10,936,883	10,936,883
Time deposits	3,077,795	3,092,466	2,915,276	2,898,930
Foreign deposits	136,394	136,131	209,780	209,726
Securities sold, not yet purchased	291,102	291,102	237,020	237,020
Federal funds purchased and security repurchase agreements	2,396,845	2,396,845	2,192,650	2,192,650
FHLB advances and other borrowings	1,632,975	1,634,383	1,389,327	1,379,127
Long-term debt	419,550	443,553	453,471	446,056
Total financial liabilities	\$ 19,810,455	19,850,274	18,334,407	18,300,392
Off-balance sheet instruments:				
Caps and spread maintenance agreements	\$ -	-	(7,671)	(7,671)
Swaps	-	33,936	-	(9,641)
Foreign exchange forwards	(31)	(31)	-	-
Total off-balance sheet instruments	\$ (31)	33,905	(7,671)	(17,312)

FINANCIAL ASSETS The estimated fair value approximates the carrying value of cash and due from banks and money market investments. For investment securities, the fair value is based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or a discounted cash flow model based on established market rates. The fair value of fixed-rate loans is estimated by discounting future cash flows using the London Interbank Offered Rate (LIBOR) yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. Variable-rate loans reprice with changes in market rates. As such, their carrying amounts are deemed to approximate fair value.

FINANCIAL LIABILITIES The estimated fair value of demand and savings deposits, securities sold not yet purchased, and federal funds purchased and security repurchase agreements, approximates the carrying value. The fair value of time and foreign deposits is estimated by discounting future cash flows using the LIBOR yield curve. The fair value of fixed-rate FHLB advances is estimated by discounting future cash flows using the LIBOR yield curve. Variable rate FHLB advances reprice with changes in market rates. As such, their carrying amounts approximate their fair value. Other borrowings are not significant. The estimated fair value of the subordinated notes is based on a quoted market price. The remaining long-term debt is not significant.

COMMITMENT SHEET FINANCIAL INSTRUMENTS

The fair value of the caps and swaps reflects the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date based upon pricing or valuation models applied to current market information and taking into account the current unrealized gains or losses of open contracts. The carrying amounts include unamortized fees paid or received and any deferred gains or losses.

The fair value of commitments to extend credit and letters of credit, based on fees currently charged for similar commitments, is not significant.

LIMITATIONS These fair value disclosures represent management's best estimates, based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

Further, the calculations do not represent the underlying value of the Company. Other significant assets and liabilities, which are not considered financial assets or liabilities and for which no fair values have been estimated, include premises and equipment, goodwill and other intangibles, deferred taxes, and other liabilities.

20. OPERATING SEGMENT INFORMATION

Operating segments represent components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company evaluates segment performance internally based on geography, and thus the operating segments are so defined. All segments, except for the segment defined as "Other," are based on commercial banking operations. The operating segment defined as "Other" includes the parent company, smaller nonbank operating units, and eliminations of transactions between segments.

The accounting policies of the individual operating segments are the same as those of the Company described in Note 1. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. Expenses for centrally provided services are allocated based on the estimated usage of those services.

The following is a summary of selected operating segment information for the years ended December 31, 2000, 1999, and 1998 (*in thousands*):

	Zions First National Bank and Subsidiaries	California Bank & Trust	Nevada State Bank and Subsidiaries	National Bank of Arizona	Vectra Bank Colorado	The Commerce Bank of Washington	Other	Consolidated Company
2000:								
Net interest income	\$ 227,057	297,153	101,685	92,300	89,094	19,991	(23,902)	803,378
Provision for loan losses	8,250	-	10,060	3,570	9,112	819	-	31,811
Net interest income after provision for loan losses	218,807	297,153	91,625	88,730	79,982	19,172	(23,902)	771,567
Noninterest income	151,966	43,585	23,488	14,082	20,223	1,472	(62,652)	192,164
Merger expense and amortization of goodwill and core deposit intangibles	4,470	23,677	6,798	2,315	13,702	-	31,753	82,715
Other noninterest expense	219,114	183,581	74,226	50,396	72,593	8,817	29,385	638,112
Income before income taxes and minority interest	147,189	133,480	34,089	50,101	13,910	11,827	(147,692)	242,904
Income taxes	44,917	59,401	11,337	19,885	8,103	3,965	(67,947)	79,661
Minority interest	(2,142)	-	-	-	-	-	3,676	1,534
Net income	\$ 104,414	74,079	22,752	30,216	5,807	7,862	(83,421)	161,709
Assets	\$ 8,095,001	6,952,940	2,373,585	1,943,675	2,155,929	552,661	(134,348)	21,939,443
Net loans and leases	4,885,246	4,855,632	1,383,142	1,488,773	1,475,166	242,042	48,032	14,378,033
Deposits	4,173,002	5,588,601	1,992,947	1,551,182	1,385,271	404,864	(25,884)	15,069,983
Shareholders' equity	459,951	714,322	176,168	160,925	390,252	33,226	(156,000)	1,778,844
1999:								
Net interest income	\$ 220,018	263,682	99,885	76,928	83,103	15,792	(17,919)	741,489
Provision for loan losses	9,000	-	3,660	2,400	2,586	610	(300)	17,956
Net interest income after provision for loan losses	211,018	263,682	96,225	74,528	80,517	15,182	(17,619)	723,533
Noninterest income	169,902	35,806	23,933	13,022	17,206	735	5,941	266,545
Merger expense and amortization of goodwill and core deposit intangibles	2,135	25,909	14,070	1,831	15,228	-	4,526	63,699
Other noninterest expense	208,159	182,034	78,596	42,909	74,877	7,452	23,841	617,868
Income before income taxes and minority interest	170,626	91,545	27,492	42,810	7,618	8,465	(40,045)	308,511
Income taxes	53,327	42,101	9,001	16,617	5,616	2,788	(19,952)	109,498
Minority interest	3,065	-	-	-	-	-	1,884	4,949
Net income	\$ 114,234	49,444	18,491	26,193	2,002	5,677	(21,977)	194,064
Assets	\$ 7,156,888	6,566,985	2,277,356	1,600,135	2,161,216	408,409	109,911	20,280,900
Net loans and leases	4,085,175	4,559,136	1,340,534	1,212,531	1,372,710	200,320	20,239	12,790,645
Deposits	3,809,258	5,425,928	1,882,349	1,206,366	1,490,468	289,182	(41,612)	14,061,939
Shareholders' equity	444,401	679,288	163,422	131,322	384,398	25,329	(168,322)	1,659,838
1998:								
Net interest income	\$ 222,044	112,726	90,518	70,687	73,447	13,939	(9,419)	573,942
Provision for loan losses	23,000	(18,717)	3,685	1,800	4,588	78	(400)	14,034
Net interest income after provision for loan losses	199,044	131,443	86,833	68,887	68,859	13,861	(9,019)	559,908
Noninterest income	142,654	14,284	25,298	9,312	14,844	1,702	2,103	210,197
Merger expense and amortization of goodwill and core deposit intangibles	2,717	37,363	1,490	1,867	17,076	7,702	1,554	69,769
Other noninterest expense	216,405	78,596	71,856	40,131	57,310	7,453	15,180	486,931
Income before income taxes and minority interest	122,576	29,768	38,785	36,201	9,317	408	(23,650)	213,405
Income taxes	35,477	13,360	11,835	14,013	5,745	346	(11,144)	69,632
Minority interest	-	-	-	-	-	-	420	420
Net income	\$ 87,099	16,408	26,950	22,188	3,572	62	(12,926)	143,353
Assets	\$ 6,047,071	6,183,044	2,150,095	1,451,866	2,151,029	337,351	(270,833)	18,049,623
Net loans and leases	3,509,319	4,180,999	1,133,680	1,012,038	1,216,359	154,892	12,199	11,219,486
Deposits	3,933,823	5,348,694	1,829,117	1,225,796	1,688,719	221,403	(26,642)	14,220,910
Shareholders' equity	383,350	606,195	152,530	116,262	388,506	23,159	(217,371)	1,452,631

21. ASSET SECURITIZATIONS

During 2000 the Company sold \$164 million of auto loans, \$169 million of credit card receivables and \$248 million of home equity loans in revolving securitization transactions for cash. New loans or receivable balances are sold monthly into the revolving securitization facilities. In these revolving securitizations the Company retains servicing responsibilities and receives servicing fees. Annualized servicing fees approximate 1% of the outstanding loan balances for the auto loans securitization, 2% for the credit card receivables securitization and 0.5% for the home equity loans securitization. The Company also has rights to future cash flows arising after the investors in the securitizations have received the return for which they contracted and administrative and other expenses have been paid. The Company retains subordinated tranche interests or cash reserve accounts that serve as credit enhancements on the securitizations. The Company's retained interests are subordinate to the investors' interests. The investors and the securitization vehicles have no recourse to the Company's other assets for failure of debtors to pay when due. The Company's retained interests are subject to credit, prepayment, and interest rate risks on the transferred loans and receivables.

The Company recognized pre-tax gains from the transfer of the loans and receivables of \$3.1 million for the auto loans, \$6.1 million for the credit card receivables and \$13.2 million for the home equity loans during 2000, which is included in loan sales and servicing income. Also during 2000, the Company completed the sale of \$494 million of Small Business Administration (SBA) 504 and other low loan-to-value commercial mortgages in a securitization transaction. Except for the revolving features, the general characteristics of the securitizations and rights of the Company described previously also pertain to this transaction. Annualized servicing fees received by the Company approximate 1% of the outstanding loan balance for this securitization. The Company recognized a pre-tax gain from this securitization of \$2.8 million, which is included in loan sales and servicing income.

Residual cash flows paid to the Company's subsidiary, Zions First National Bank (ZFNB), from retained interests on revolving securitizations were \$16.6 million, \$5.8 million, and \$7.7 million for the automobile, credit card, and home equity programs, respectively, and \$.4 million on the securitization of SBA loans during 2000. Total servicing fees related to the securitization programs were \$5.4 million in 2000.

Key economic assumptions used for measuring the retained interests at the date of securitization for sales during 2000 were as follows:

	Automobile Loans	Credit Card Receivables	Home Equity Loans	SBA 504 Loans
Prepayment method	ABS	ABS	ABS	CPR
Annualized prepayment speed	16.20	5.00	4.00	4, 8, 12 Ramp up
Weighted average life (in months)	54	4	64	83
Expected annual net loss rate	1.00%	4.50%	.25%	0.50%
Residual cash flows discounted at	12.00%	12.00%	12.00%	12.00%

The ABS prepayment model developed by Credit Suisse First Boston is used for the automobile, credit card, and home equity loan securitizations. The constant prepayment rate (CPR) method was used for the SBA 504 securitization.

At December 31, 2000, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10% and 20% adverse changes in those assumptions are as follows for significant Company securitizations (*in millions of dollars and annualized percentage rates*):

	Automobile Loans	Credit Card Receivables	Home Equity Loans	SBA 504 Loans
Carrying amount/ fair value of retained interests	\$ 5.7	0.9	14.7	35.8
Weighted-average life (in months)	54	4	64	47-83
Prepayment speed assumption	16.20	5.00	4.00	4.00-15.00
Decrease in fair value due to adverse change				
-10%	\$ 0.1	0.0	0.1	1.2
-20%	\$ 0.2	0.0	0.1	2.3
Expected credit losses	1.00%	4.50%	0.25%	0.50%
Decrease in fair value due to adverse change				
-10%	\$ 0.4	0.1	0.2	1.5
-20%	\$ 0.8	0.1	0.3	2.9
Residual cash flows discount rate	12.00%	12.00%	12.00%	12.00%
Decrease in fair value due to adverse change				
-10%	\$ 0.1	0.0	0.2	1.7
-20%	\$ 0.1	0.0	0.3	2.9

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on variations in assumptions cannot be extrapolated, as the relationship of the change in assumption to the change of fair value may not be linear. Also, the effect of a variation in one assumption is likely to further cause changes in other assumptions, which might magnify or counteract the sensitivities.

As of December 31, 2000, the weighted-average expected static pool credit losses for SBA loans securitized in 2000 were 3.33%. Static pool losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets.

The table below presents quantitative information about delinquencies and net credit losses. The Company only securitizes loans originated or purchased by ZFNB. Therefore, only loans and related delinquencies and net credit losses of commonly managed ZFNB loans are included (*in millions*):

Loan Type	Principal Balance December 31, 2000	Loans Past Due 30+ Days ¹ Principal Balance December 31, 2000	Net Credit Losses ²
Automobile loans	\$ 506.8	10.0	4.1
Credit card receivables	140.7	2.3	3.1
Home equity loans	365.1	1.9	0.1
SBA 504 loans	1,185.2	29.6	1.4
Total loans managed or securitized	2,197.8	43.8	8.7
Less loans securitized ³	1,406.1		
Loans held in portfolio	<u>\$ 791.7</u>		

¹Loans 30 days or more past due based on end of period total loans.

²Net credit losses are charge-offs net of recoveries and are based on total loans outstanding, both on-balance sheet and securitized.

³Represents the principal amount of the loans. Interest-only strips and other retained interests held for securitized assets are excluded from this table because they are recognized separately.

22. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Financial information by quarter for the years ended December 31, 2000 and 1999 is as follows (in thousands, except per share amounts):

	Gross interest income	Net interest income	Non- interest income	Non- interest expense	Provision for loan losses	Income (loss) before income taxes and minority interest	Net income (loss)	Diluted net income (loss) per common share
2000:								
First quarter	\$ 379,555	190,992	(36,311)	200,312	5,248	(50,879)	(28,492)	(0.33)
Second quarter	396,623	194,598	70,599	167,312	6,214	91,671	59,583	0.69
Third quarter	424,482	208,029	75,349	173,926	8,119	101,333	64,644	0.74
Fourth quarter	425,523	209,759	82,527	179,277	12,230	100,779	65,974	0.75
	\$ 1,626,183	803,378	192,164	720,827	31,811	242,904	161,709	1.86
1999:								
First quarter	\$ 318,170	176,855	65,480	162,605	4,741	74,989	46,904	0.55
Second quarter	333,524	185,303	63,007	165,886	4,143	78,281	50,832	0.59
Third quarter	344,284	187,817	63,591	163,038	4,517	83,853	53,779	0.63
Fourth quarter	363,360	191,514	74,467	190,038	4,555	71,388	42,549	0.49
	\$ 1,359,338	741,489	266,545	681,567	17,956	308,511	194,064	2.26

In the first quarter of 2000, noninterest income (loss) includes the \$96.9 million impairment loss on First Security Corporation common stock as discussed in Note 3, and noninterest expense includes \$41.5 million of pre-tax merger expenses mainly related to the terminated First Security Corporation merger.

23. PARENT COMPANY FINANCIAL INFORMATION

Condensed financial information of Zions Bancorporation (parent only) follows:

CONDENSED BALANCE SHEETS DECEMBER 31, 2000 AND 1999

(In thousands)

	2000	1999
ASSETS		
Cash and due from banks	\$ 1,959	3,509
Interest-bearing deposits	5,354	22,899
Investment securities	8,763	251,949
Loans, lease financing, and other receivables, net	15,164	15,794
Investments in subsidiaries:		
Commercial banks	1,900,774	1,795,889
Other	167,208	84,160
Receivables from subsidiaries:		
Commercial banks	125,000	110,000
Other	14,044	9,565
Other assets	85,477	63,092
	\$ 2,323,743	2,356,857
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accrued liabilities	\$ 30,437	32,486
Borrowings less than one year	267,239	413,660
Subordinated debt to subsidiary	20,223	23,773
Long-term debt	227,000	227,100
Total liabilities	544,899	697,019
Shareholders' equity:		
Common stock	907,604	888,231
Net unrealized holding losses on securities available for sale	(3,644)	(4,158)
Retained earnings	874,884	775,765
Total shareholders' equity	1,778,844	1,659,838
	\$ 2,323,743	2,356,857

CONDENSED STATEMENTS OF INCOME **YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998**

(In thousands)

	2000	1999	1998
Interest income - interest and fees on loans and securities	\$ 18,034	11,846	7,066
Interest expense - interest expense on borrowed funds	48,641	32,529	17,307
Net interest loss	(30,607)	(20,683)	(10,241)
Other income:			
Dividends from consolidated subsidiaries:			
Commercial banks	163,046	109,868	210,890
Other	1,000	-	1,430
Investment securities gain (loss), net	25,076	800	-
Impairment loss on First Security Corporation common stock	(96,911)	-	-
Other income	10,236	3,168	7,064
	102,447	113,836	219,384
Expenses:			
Salaries and employee benefits	9,311	8,659	5,504
Merger-related expense	28,291	884	1,191
Operating expenses	5,661	1,633	7,321
	43,263	11,176	14,016
Income before income tax benefit and undistributed income of consolidated subsidiaries	28,577	81,977	195,127
Income tax benefit	60,661	14,471	8,304
Income before equity in undistributed income of consolidated subsidiaries	89,238	96,448	203,431
Equity in undistributed income of consolidated subsidiaries:			
Commercial banks and bank holding company	78,628	103,767	(55,306)
Other	(6,157)	(6,151)	(4,772)
Net income	\$ 161,709	194,064	143,353

CONDENSED STATEMENTS OF CASH FLOWS **YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998**

(In thousands)

	2000	1999	1998
Cash flows from operating activities:			
Net income	\$ 161,709	194,064	143,353
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net (income) losses of consolidated subsidiaries	(72,471)	(97,616)	60,078
Depreciation of premises and equipment	117	145	160
Investment securities gain	(25,076)	(800)	-
Impairment loss on First Security Corporation common stock	96,911	-	-
Amortization	660	663	644
Other	(23,615)	(14,219)	16,272
Net cash provided by operating activities	138,235	82,237	220,507
Cash flows from investing activities:			
Net (increase) decrease in interest-bearing deposits	17,545	(2,155)	(17,895)
Collection of advances to subsidiaries	12,846	9,890	8,054
Advances to subsidiaries	(32,325)	(16,590)	(118,261)
Proceeds from sale of investment securities available for sale	162,282	20,664	-
Purchase of investment securities available for sale	(1,065)	(250,780)	-
Increase of investment in subsidiaries	(75,674)	(88,725)	(335,340)
Other	621	178	(18,344)
Net cash provided by (used in) investing activities	84,230	(327,518)	(481,786)
Cash flows from financing activities:			
Net change in commercial paper and other borrowings under one year	(146,421)	302,443	38,167
Payment on borrowings over one year	-	-	(25,000)
Proceeds from issuance of long-term debt	-	-	177,267
Payments on long-term debt	(3,650)	-	(2,000)
Proceeds from issuance of common stock	6,717	9,753	139,974
Payments to redeem common stock	(3,899)	(6,650)	(26,741)
Dividends paid	(76,762)	(56,914)	(41,600)
Net cash provided by (used in) financing activities	(224,015)	248,632	260,067
Net increase (decrease) in cash and due from banks	(1,550)	3,351	(1,212)
Cash and due from banks at beginning of year	3,509	158	1,370
Cash and due from banks at end of year	\$ 1,959	3,509	158

The parent company paid interest of \$50.1 million, \$30.7 million, and \$16.4 million for the years ended December 31, 2000, 1999, and 1998, respectively.

REPORT OF INDEPENDENT AUDITORS

THE BOARD OF DIRECTORS AND SHAREHOLDERS ZIONS BANCORPORATION:

We have audited the accompanying consolidated balance sheet of Zions Bancorporation and subsidiaries as of December 31, 2000, and the related consolidated statements of income, cash flows, and changes in shareholders' equity and comprehensive income for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Zions Bancorporation as of December 31, 1999 and for each of the years in the two-year period then ended, were audited by other auditors whose report dated February 7, 2000, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2000 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zions Bancorporation and subsidiaries at December 31, 2000, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Salt Lake City, Utah
January 24, 2001

ZIONS BANCORPORATION

CORPORATE OFFICERS

HARRIS H. SIMMONS
President and Chief
Executive Officer

ROY W. SIMMONS
Chairman of the Board

A. SCOTT ANDERSON
Executive Vice President
Utah and Idaho Administration

DANNE L. BUCHANAN
Executive Vice President
Operations and
Information Systems

GERALD J. DENT
Executive Vice President
Credit Administration

DALE M. GIBBONS
Executive Vice President
Chief Financial Officer

W. DAVID HEMINGWAY
Executive Vice President
Capital Markets
and Investments

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Executive Vice President
California Administration

BRUCE K. ALEXANDER
Senior Vice President
Colorado Administration

NOLAN BELLON
Senior Vice President
Controller

JOHN J. GISI
Senior Vice President
Arizona Administration

JAMES C. HAWKANSO
Senior Vice President
Washington Administration

CLARK B. HINCKLEY
Senior Vice President
Investor Relations

WILLIAM E. MARTIN
Senior Vice President
Nevada Administration

MERRILL WALL
Senior Vice President
Human Resources

LISA FREBERG
Vice President
Corporate Compliance Officer

RALPH HENDRIX
Vice President
Credit Examination

RONALD L. JOHNSON
Vice President
Credit Examination

MEL LEIBSLA
Vice President
Auditing

JOHN A. PAYNE
Vice President
Taxation & Financial Planning

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Chairman, President and
Chief Executive Officer
Skywest Airlines
St. George, Utah

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Hurdman Partner
Salt Lake City, Utah

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Chairman and
Chief Executive Officer
Questar Corporation
Salt Lake City, Utah

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Former Chairman, President and
Chief Executive Officer
ZCMI
Salt Lake City, Utah

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IBM Professor of Business
and Government,
Harvard University
Cambridge, Massachusetts

ROBERT G. SARVER⁴
Chairman and
Chief Executive Officer
California Bank & Trust
San Diego, California

HARRIS H. SIMMONS¹
President and Chief Executive
Officer of the Company and
Chairman of the Board of
Zions First National Bank
Salt Lake City, Utah

L. E. SIMMONS⁴
President
SCF Investment Partners
Houston, Texas

ROY W. SIMMONS^{1,4}
Chairman of the Board
of the Company
Salt Lake City, Utah

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Communications and
Public Affairs
Huntsman Cancer Institute
Salt Lake City, Utah

I. J. WAGNER^{1,2}
President
The Keystone Company
Salt Lake City, Utah

¹Member, Executive
Committee

²Member, Audit Committee

³Member, Executive
Compensation Committee

⁴Member, Credit
Review/Compliance
Committee

The Board of Directors and
employees regret the passing of
William P. Harlin, Director from
1966-1993, and Director
Emeritus from 1993-2001.

ZIONS FIRST NATIONAL BANK SALT LAKE CITY, UTAH

CORPORATE OFFICERS

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Chief Executive Officer

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Chairman of the Board

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Executive Vice President
Chief Lending Officer

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Investments

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President and
Chief Executive Officer
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Salt Lake City, Utah

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Salt Lake City, Utah

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Salt Lake City, Utah

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Twelve/The Church of Jesus
Christ of Latter-day Saints
Salt Lake City, Utah

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Member of the Quorum of the
Twelve/The Church of Jesus
Christ of Latter-day Saints
Salt Lake City, Utah

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²Member, Trust Committee

³Member, Examining Committee

⁴Member, Credit
Review/Compliance Committee

⁵Member, CRA Committee

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GARY L. GATHERUM
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LELAND R. GIBBS
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P. BOYD HALES
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DAN L. HAMMON
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CHRISTINE L. HAYWARD
DANIEL HEINER
LARRY R. HINTZE
ERROLL F. HOLT
KERRY D. HOLYOAK
SAUNDRA N. HOPKINS
STEPHANIE HORNE
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ROBERT B. HOWELL
WILLIAM D. HUDSON
C. GRANT HURST
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RICHARD P. JACKSON
JAY JAMES
HARVEY I. JEPSPEN
MARIANNE JOHNSON
JEFFREY KAHN
RICK D. KAMMERMAN
ROBERT J. KASTELIC
JIM KING
SANDRA J. KINNEY
PATRICIA KIRBERG
JEFFREY L. KLEKAS
KATHRYN KLING
PAUL G. KNOP
DOUG R. KOHLER
SUSAN B. LARSEN
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CHERYL A. MORTIMER
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GREG O. NORDFELT
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JOHN O'SULLIVAN
STEVEN PAGE
LYNDA PARRISH
MEGHAN D. PARRISH
J. DANIEL PASSMORE
LARRY PEARSON

CORPORATE INFORMATION

EXECUTIVE OFFICES:

One South Main Street
Salt Lake City, Utah 84111
(801) 524-4787

ANNUAL

SHAREHOLDERS' MEETING:

Friday, April 20, 2001, 1:30 p.m.
Salt Lake Marriott City Center
220 South State Street
Salt Lake City, Utah 84111

TRANSFER AGENT:

Zions First National Bank
Corporate Trust Department
10 East South Temple, 3rd Floor
Salt Lake City, Utah 84111
(801) 524-4624

REGISTRAR:

Zions First National Bank
One South Main Street
Salt Lake City, Utah 84111

AUDITORS:

Ernst & Young LLP
60 East South Temple, Suite 800
Salt Lake City, Utah 84111

NASDAQ NATIONAL MARKET SYMBOL: ZION

NUMBER OF COMMON SHAREHOLDERS:

6,265 as of December 31, 2000

DIVIDEND

REINVESTMENT PLAN:

Shareholders can reinvest their cash dividends in additional shares of our common stock at the market price. Shareholders, as well as brokers and custodians who hold our common stock for clients, can obtain a prospectus of the plan by writing to:

Zions Bancorporation
Dividend Reinvestment Plan
P.O. Box 30880
Salt Lake City, Utah 84130

CREDIT RATINGS:

Moody's Investors Service
Outlook Stable
Subordinated Debt Baa1

Standard & Poor's
Outlook Stable
LT Foreign Issuer Credit BBB
LT Local Issuer Credit BBB
ST Foreign Issuer Credit A-2
ST Local Issuer Credit A-2
Subordinated Debt BBB-

Fitch, Inc.
Outlook Stable
Senior Unsecured Debt A-
Subordinated Debt BBB+
Short Term F1
Long Term A-

NASDAQ MARKET MAKERS:

A.G. Edwards & Sons, Inc.
Adams, Harkness & Hill, Inc.
Bear, Stearns & Co., Inc.
Cantor, Fitzgerald & Co.
Credit Suisse First Boston Corp.
Dain Rauscher Incorporated
Donald & Co. Securities Inc.
Donaldson, Lufkin & Jenrette
Fidelity Capital Markets
Fleet Securities, Inc.
Fox-Pitt, Kelton, Inc.
Friedman Billings Ramsey & Co.
G.V.R. Company
George K. Baum & Co.
Goldman, Sachs & Co.
Herzog, Heine, Geduld, Inc.
Jefferies & Company, Inc.
Keefe, Bruyette & Woods, Inc.
Knight Securities L.P.
Lehman Brothers Inc.
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Midwest Stock Exchange
OTA Limited Partnership
Pershing Trading Company
Peters Securities
Piper Jaffray Companies Inc.
Putnam, Lovell, DeGuardiola
Salomon Smith Barney, Inc.
Sandler O'Neill & Partners
Schwab Capital Markets
Sherwood Securities Corp.
Spear, Leeds & Kellogg
Warburg Dillon Read, LLC
Weeden and Co. Inc.
Wells Fargo Van Kasper

OPTION MARKET MAKERS:

Chicago Board Options
Exchange
Philadelphia Stock Exchange

SELECTED INDEX MEMBERSHIPS:

S&P MidCap 400
S&P MidCap Banks
KBW Bank Sector
Nasdaq Financial

INVESTOR RELATIONS:

For financial information about the Corporation - analysts, investors and news media representatives should contact:

Clark Hinckley
(801) 524-4787

ZIONS BANCORPORATION NEWS RELEASES:

As a service to our shareholders and prospective investors, copies of the Company's recent news releases can be transmitted at no charge via fax by calling "Company News on Call" at 1-800-758-5804 ext. 988950. This electronic, menu-driven system, a service of PR Newswire, allows callers to receive Zions Bancorporation news releases within minutes of request. Our news releases are also available on our web site at www.zionsbancorporation.com.

INTERNET SITES:

ZIONS BANCORPORATION:

www.zionsbancorporation.com

ZIONS FIRST

NATIONAL BANK:

www.zionsbank.com

CALIFORNIA BANK & TRUST:

www.calbanktrust.com

NEVADA STATE BANK:

www.nsbank.com

NATIONAL BANK OF ARIZONA:

www.nbarizona.com

VECTRA BANK COLORADO:

www.vectrabank.com

THE COMMERCE BANK OF WASHINGTON:

www.tcbwa.com

DIGITAL SIGNATURE TRUST CO.:

www.digsigtrust.com

FIXED INCOME TRADING:

www.oddlot.com
www.govrate.com

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 ASPEN
 BASALT
 BOULDER
 BROOMFIELD
 CENTER
 COLORADO SPRINGS
 COMMERCE CITY
 CORTEZ
 CRIPPLE CREEK
 DEL NORTE
 DENVER
 DOLORES
 DURANGO
 EL JEBEL
 ENGLEWOOD
 FEDERAL HEIGHTS
 FORT LUPTON
 GLENDALE
 GRAND JUNCTION
 GREELEY

HIGHLANDS RANCH
 LAKEWOOD
 LITTLETON
 LONGMONT
 MONTROSE
 PAGOSA SPRINGS
 PALMER PARK
 PLATTEVILLE
 SAGUACHE
 SNOWMASS VILLAGE
 STEAMBOAT SPRINGS
 STERLING
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 WELLINGTON
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 WHEATRIDGE
 WIGGINS
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TRAVELERS VACATIONS INC.**

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CAREFREE
CHANDLER
COTTONWOOD
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MESA
PAGE
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PAYSON
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PRESCOTT
PRESCOTT VALLEY
SAFFORD
SAN LUIS
SCOTSDALE
SEDONA
SIERRA VISTA
SPRINGERVILLE
SUN CITY
TEMPE
TUCSON
WELLTON
WILLIAMS
YUMA

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Credit Policy Officer

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Southern Colorado

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Regional President
Northern Colorado

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Colorado Springs

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Director

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SVP, Human Resources
Director

LAUREN O'CONNELL
Director of Marketing

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Vectra Bank Colorado, N.A.
Board Secretary

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The Piton Foundation
Denver, Colorado

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Salt Lake City, Utah

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Denver, Colorado

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Financial and
Management Consultant
Former President
Scott Capital Corporation
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San Diego, California

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President and
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Westminster, Colorado

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Tipton Enterprises
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Canon Potato Company
Center, Colorado

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LAS VEGAS, NEVADA**

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Executive Vice President

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Executive Vice President

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President and Chief Executive
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Las Vegas, Nevada

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Former President and
Chief Executive Officer of
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Las Vegas, Nevada

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Wing Fong Enterprises
Las Vegas, Nevada

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Salt Lake City, Utah

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Executive Officer of
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Las Vegas, Nevada
Executive Vice President
Zions First National Bank

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Reno, Nevada

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Las Vegas, Nevada

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Chief Executive Officer
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Salt Lake City, Utah

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Salt Lake City, Utah

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Las Vegas, Nevada

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ROBIN COLLINS
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CASSI EISINGER
GARY GIBSON
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SHELLE GRIM-BROOKS
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TIMOTHY MINOR
SHARON MURDOCK
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SARAH WALKER
DOUGLAS WARDEN
NICHOLAS WEBBER
RENA WHITEHEAD
DREW ZIDZIK
GORDON ZUMWALT

NEVADA STATE BANK
60 BANKING LOCATIONS IN:

BOULDER CITY
CARSON CITY
DAYTON
ELKO
EUREKA
FERNLEY
GARDNERVILLE
HENDERSON
LAS VEGAS
LOVELOCK
MESQUITE
NORTH LAS VEGAS
PAHRUMP
RENO
SPARKS
TONOPAH
WELLS
WENDOVER

**NATIONAL BANK OF
ARIZONA
TUCSON, ARIZONA**

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Chief Operating Officer

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Vice Chairman

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Trust Division Manager

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Credit Administration Manager

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JULIE L. RAYMOND
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Branch Administrator

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National Bank of Arizona
Phoenix, Arizona

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National Bank of Arizona
Attorney
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Caldwell, Hanshaw &
Villamana P.C.
Tucson, Arizona

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National Bank of Arizona
Phoenix, Arizona

RICHARD W. KRIVEL
Executive Vice President
National Bank of Arizona
Tucson, Arizona

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Vice Chairman of the Board
National Bank of Arizona
Phoenix, Arizona

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Vice Chairman of the Board
National Bank of Arizona
Phoenix, Arizona

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President and
Chief Operating Officer
National Bank of Arizona
Phoenix, Arizona

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 SHELLEY COWLEY
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 KATHLEEN LITTLEFIELD
 RONALD LITTLEFIELD
 STACY LOMBARDO
 NICOLE LORENZ
 NICKY LOVEJOY
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 MARION LOZIER
 JOE LUI
 RODNEY MAEDA
 JIMMY MANLEY III
 SUSAN MARTIN
 HIROKO MATSUMOTO
 RICHARD MAXWELL
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 SUSAN MC CRACKIN
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 CHARLES MILLS
 JAN MITROVICH
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 HISAKO NAGATA
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 GORDON NELSON
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 NORIKO OAKLAND
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 SUSIE OH
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 JERRY ONO
 RICARDO ORTIZ
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 CHARLES OTT
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 MARCEL PAISLEY
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 SEAN PARCHMAN
 STEPHEN PARKS
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 75 BANKING LOCATIONS IN:

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 ALHAMBRA
 ALPINE
 ANAHEIM
 ARCADIA
 BREA
 CARLSBAD
 CHULA VISTA
 CLAREMONT
 COSTA MESA
 CRENSHAW
 CUPERTINO
 DEL MAR
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 ESCONDIDO
 FREMONT
 FRESNO
 GARDENA
 HACIENDA HEIGHTS
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 HUNTINGTON BEACH
 IRVINE
 LA JOLLA
 LA MESA
 LA PALMA
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 LOS ANGELES
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 MILLBRAE
 MONTEREY
 MONTEREY PARK
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 OXNARD
 PLEASANT HILL
 POMONA
 POWAY
 RANCHO BERNARDO
 SACRAMENTO
 SAN DIEGO
 SAN FERNANDO VALLEY
 SAN FRANCISCO
 SAN JOSE
 SAN MARCOS
 SAN MATEO
 SANTA MONICA
 STOCKTON
 TEMECULA
 TORRANCE
 VALLEY CENTER
 VISTA
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ZIONS FIRST NATIONAL BANK
 142 BANKING LOCATIONS IN:

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 BLANDING
 BOUNTIFUL
 BRIGHAM CITY
 CASTLE DALE
 CEDAR CITY
 CENTERVILLE
 COALVILLE
 COTTONWOOD
 DELTA
 DRAPER
 DUCHESNE
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 EPHRAIM

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 GUNNISON
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 KAMAS
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 LAYTON
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 LOGAN
 MAGNA
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 PANGUITCH
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 SOUTH JORDAN
 SOUTH OGDEN
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 WEST VALLEY CITY
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IDAHO

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ZIONS BANCORPORATION ANNUAL REPORT 2001

STRONG RELATIONSHIPS > STRONG COMMUNITIES > STRONG CUSTOMERS



FINANCIAL HIGHLIGHTS

<i>(In millions)</i>	2001/2000 Change	2001	2000	1999	1998	1997
FOR THE YEAR						
Net income	+75 %	283.0	161.7	194.1	143.4	131.4
Operating cash earnings ¹	+20 %	337.3	281.4	242.8	194.4	138.3
PER SHARE						
Net income - diluted	+65 %	3.07	1.86	2.26	1.75	1.92
Net income - basic	+66 %	3.10	1.87	2.29	1.77	1.95
Operating cash earnings - diluted ¹	+13 %	3.66	3.23	2.83	2.37	2.03
Dividends declared	-10 %	.80	.89	.72	.54	.47
Book value ²	+21 %	24.74	20.42	19.39	17.39	12.50
Market price - end		52.58	62.44	59.19	62.38	45.38
Market price - high		61.94	62.75	75.88	62.38	46.00
Market price - low		42.45	36.44	49.00	38.38	25.69
AT YEAR-END						
Assets	+11 %	24,304	21,939	20,281	18,050	10,794
Loans and leases	+20 %	17,311	14,378	12,791	11,219	5,463
Loans sold being serviced ³	+51 %	2,648	1,750	1,252	1,040	1,050
Deposits	+18 %	17,842	15,070	14,062	14,221	7,830
Shareholders' equity	+28 %	2,281	1,779	1,660	1,453	857
PERFORMANCE RATIOS						
Return on average assets		1.19 %	.74 %	.97 %	1.00 %	1.35 %
Return on average common equity		13.28 %	9.65 %	12.42 %	10.98 %	19.40 %
Efficiency ratio		61.58 %	64.91 % ⁴	66.55 %	70.10 %	59.33 %
Net interest margin		4.64 %	4.27 %	4.31 %	4.56 %	4.29 %
OPERATING CASH RATIOS ¹						
Return on average assets		1.47 %	1.34 %	1.26 %	1.41 %	1.45 %
Return on average equity		25.41 %	27.40 %	26.77 %	26.56 %	25.40 %
Efficiency ratio		57.43 %	57.46 %	60.33 %	61.32 %	57.99 %
CAPITAL RATIOS ²						
Equity to assets		9.38 %	8.11 %	8.18 %	8.05 %	7.94 %
Tier 1 leverage		6.56 %	6.38 %	6.16 %	5.91 %	6.92 %
Tier 1 risk-based capital		8.25 %	8.53 %	8.64 %	8.40 %	11.96 %
Total risk-based capital		12.20 %	10.83 %	11.29 %	11.34 %	13.85 %
SELECTED INFORMATION						
Weighted average common shares - diluted <i>(in thousands)</i>		92,174	87,120	85,695	81,918	68,258
Common dividend payout ratio		26.11 %	34.65 % ⁴	29.33 %	28.40 %	22.10 %
Full-time equivalent employees		8,124	6,915	6,833	7,099	4,652
Commercial banking offices		412	373	362	345	241
ATMs		589	509	484	476	495

¹ Before amortization of goodwill, amortization of core deposit and other intangible assets, merger-related expense, and the cumulative effect of adoption of FASB Statement No. 133.

² At year-end.

³ Amount represents the outstanding balance of loans sold and being serviced by the Company, excluding conforming first mortgage residential real estate loans.

⁴ Before impairment loss on First Security Corporation common stock.

MANAGEMENT'S COMMENTS

PERFORMANCE SUMMARY

Zions Bancorporation and subsidiaries ("the Company") reported record net income of \$283.0 million for 2001, an increase of 75.0% from the \$161.7 million earned in 2000, which was down 16.7% from the \$194.1 million earned in 1999. Diluted net income per share increased 65.1% to \$3.07 in 2001 compared to \$1.86 in 2000, which was down 17.7% from \$2.26 per diluted share earned in 1999.

Excluding after-tax merger-related expense of \$5.3 million (\$0.06 per share), and the cumulative effect of a change in accounting principle of \$7.2 million (\$0.08 per share), net income for 2001 totaled \$295.5 million. This represented an 18.3% increase over the \$249.7 million earned before merger-related expense and a related impairment loss in 2000, which was up 17.5% from \$212.5 million earned before merger-related charges in 1999. Earnings for 2000 included pretax merger-related charges of \$45.5 million related primarily to a terminated merger with First Security Corporation and an impairment loss on First Security Corporation common stock of \$96.9 million. Before merger-related charges and the cumulative effect of a change in accounting principle, net income per diluted share was \$3.21 for 2001, an increase of 11.8% over the \$2.87 earned in 2000, which was up 15.7% over the \$2.48 earned in 1999.

The record net income performance produced a return on average shareholders' equity of 13.28% for 2001 compared to 9.65% for 2000 and 12.42% for 1999. The return on average assets was 1.19% for 2001 compared with 0.74% for 2000 and 0.97% for 1999.

The Company is also providing its earnings performance on an operating cash basis, since it believes that its cash operating performance is a better reflection of its financial position and shareholder value creation, as well as its ability to support growth and return capital to shareholders, than reported net income. Operating cash earnings are after-tax earnings before the amortization of goodwill, amortization of core deposit and other intangible assets, merger-related charges, and the cumulative effect of a change in accounting principle.

Operating cash earnings was \$337.3 million for 2001, an increase of 19.9% over the \$281.4 earned in 2000, which was up 15.9% over the \$242.8 million earned in 1999. Operating cash earnings per diluted share increased 13.3% to \$3.66 from \$3.23 in 2000, which was up 14.1% from \$2.83 in 1999. The return on average shareholders' equity on an operating cash basis was 25.41% for 2001 compared to 27.40% for 2000 and 26.77% for 1999. The return on average assets on an operating cash basis was 1.47% for 2001 compared to 1.34% for 2000 and 1.26% for 1999.

The performance of the Company for 2001 was driven by an improved net interest margin and strong loan growth. The net interest margin for 2001 was 4.64% compared to 4.27% for 2000 and 4.31% for 1999. The increased margin for 2001 resulted primarily from a more attractive balance sheet composition. Average loans and leases increased 17.3% to \$16.0 billion, while average securities declined 12.0% to \$4.0 billion and average borrowed funds decreased 11.4%. Taxable-equivalent net interest income increased 18.1% to \$970.0 million, compared to \$821.5 million for 2000. Noninterest income increased 44.8% to \$418.7 million in 2001 compared to \$289.1 million for 2000 excluding the 2000 impairment loss on the First Security Corporation common stock. Noninterest income for 2001 included approximately \$75.1 million of income from transactions involving the Company's investment in a nonpublic investee, as described in the noninterest income section. Noninterest expense increased 18.6% to \$855.1 million in 2001. The operating cash efficiency ratio, or operating cash noninterest expenses as a percentage of total taxable-equivalent net revenues was 57.43% for 2001 compared to 57.46% for 2000 and 60.33% for 1999.

The Company's provision for loan losses totaled \$73.2 million for 2001, compared to \$31.8 million for 2000 and \$18.0 million for 1999. The increased provision for loan losses for 2001 reflects management's evaluation of its various portfolios, statistical trends and other economic factors, and its desire to maintain a strong coverage of nonperforming assets in a continued uncertain economic environment in the markets in which it operates. Net charge-offs were \$38.4 million, or .24% of average loans and leases in 2001, compared to \$42.4 million or .31% in 2000 and \$29.0 million or .25% in 1999. Nonperforming assets increased to \$120.4 million or .69% of loans and other real estate owned as of December 31, 2001 from \$70.5 million or .49% as of December 31, 2000.

As described in Note 3 of the Notes to Consolidated Financial Statements, the Company completed several acquisitions in 2001 and 1999 accounted for as purchases. Results of operations between periods are influenced because of these transactions.

BUSINESS SEGMENT RESULTS

The Company manages its operations and prepares management reports with a primary focus on geographical area. Operating segment information is presented in Schedule 1 and Note 22 of the Notes to Consolidated Financial Statements. The Company allocates centrally provided services to the business segments based upon estimated usage of those services. The operating segment identified as "Other" includes Zions Bancorporation ("the Parent"), several smaller business units and inter-segment eliminations.

The Company invests in start-up and early stage ventures through a variety of entities. Through certain subsidiary banks, the Company has made minority nonmarketable investments in a number of companies using four Small Business Investment Companies ("SBIC"). The Company recorded losses on nonmarketable venture capital investments (see Schedule 4) on these SBIC investments of \$30.1 million in 2001, compared to gains of \$7.9 million in 2000. These losses (gains) impacted the non-interest income reported by certain of the Company's subsidiary banks and the "Other" segment in "Business Segment Results." In addition, the Company has made investments in a number of ventures, either through acquisition or through internal funding initiatives. Lexign, Inc. is the largest such acquired entity and is a wholly owned subsidiary of Zions Bancorporation (see Business Segment Results). Digital Signature Trust is the largest internally funded venture and is a majority owned subsidiary of Zions First National Bank ("ZFNB") (see Business Segment Results). The Company has a number of smaller venture activities that generally are subsidiaries of either ZFNB or Zions Bancorporation.

SCHEDULE 1
OPERATING SEGMENTS INFORMATION

(Amounts in millions)	Zions First National Bank and Subsidiaries			California Bank & Trust			Nevada State Bank and Subsidiaries		
	2001	2000	% Change	2001	2000	% Change	2001	2000	% Change
CONDENSED INCOME STATEMENT									
Net interest income	\$ 302.5	\$ 227.1	33%	\$ 343.7	\$ 297.2	16%	\$ 114.3	\$ 101.7	12%
Noninterest income	234.5	152.0	54	91.2	43.6	109	23.7	23.5	1
Total revenue	537.0	379.1	42	434.9	340.8	28	138.0	125.2	10
Provision for loan losses	41.9	8.2	411	9.2	-	-	10.1	10.1	-
Noninterest expense ¹	282.9	219.2	29	223.5	183.6	22	78.5	74.2	6
Pretax cash earnings	212.2	151.7	40	202.2	157.2	29	49.4	40.9	21
Income tax expense (benefit)	71.1	46.4	53	81.6	64.3	27	16.5	13.4	23
Minority interest	(2.1)	(2.1)	-	-	-	-	-	-	-
Cash earnings ¹	143.2	107.4	33	120.6	92.9	30	32.9	27.5	20
Merger-related expense	1.8	2.6	(31)	5.0	5.6	(11)	-	5.3	(100)
Impairment loss on First Security Corporation common stock	-	-	-	-	-	-	-	-	-
Amortization of goodwill, core deposit and other intangibles	1.9	1.9	-	23.2	18.1	28	1.5	1.5	-
Minority interest adjustment	-	-	-	-	-	-	-	-	-
Income tax (benefit)	(1.2)	(1.5)	20	(5.1)	(4.9)	(4)	(0.2)	(2.1)	90
Cumulative effect, adoption of FASB Statement No. 133	(5.3)	-	-	(1.3)	-	-	(0.6)	-	-
Net income (loss)	\$ 135.4	\$ 104.4	30%	\$ 96.2	\$ 74.1	30%	\$ 31.0	\$ 22.8	36%
YEAR-END BALANCE SHEET DATA									
Total assets	\$ 8,580	\$ 8,095	6%	\$ 8,366	\$ 6,953	20%	\$ 2,481	\$ 2,374	5%
Net loans and leases	6,062	4,885	24	5,708	4,856	18	1,515	1,383	10
Allowance for loan losses	83	61	36	86	71	21	25	17	47
Goodwill, core deposit and other intangibles	19	19	-	443	307	44	24	25	(4)
Total deposits	5,318	4,173	27	6,773	5,589	21	2,140	1,993	7
Common equity	636	460	38	988	714	38	161	176	(9)
OPERATING CASH PERFORMANCE RATIOS¹									
Return on average assets	1.55%	1.30%		1.60%	1.45%		1.39%	1.19%	
Return on average common equity	26.53%	25.31%		23.75%	23.88%		23.38%	19.35%	
Efficiency ratio	51.46%	56.24%		51.27%	53.65%		56.29%	58.48%	
OTHER INFORMATION									
Full-time equivalent employees	2,192	1,909		1,944	1,703		712	701	
Domestic offices:									
Traditional branches	102	93		94	75		27	29	
Banking centers in grocery stores	48	49		-	-		34	31	
Foreign office	1	1		-	-		-	-	
Total offices	151	143		94	75		61	60	
ATMs	214	211		110	88		85	84	

¹ Before amortization of goodwill, amortization of core deposit and other intangible assets, merger-related expense, and the cumulative effect of adoption of FASB Statement No. 133.

National Bank of Arizona			Vectra Bank Colorado			The Commerce Bank of Washington			Other			Consolidated Company		
2001	2000	% Change	2001	2000	% Change	2001	2000	% Change	2001	2000	% Change	2001	2000	% Change
\$ 103.0	\$ 92.3	12%	\$ 86.4	\$ 89.1	(3)%	\$ 21.8	\$ 20.0	9%	\$ (21.9)	\$ (24.0)	9%	\$ 949.8	\$ 803.4	18%
16.1	14.1	14	27.5	20.2	36	1.2	1.5	(20)	24.5	34.2	(28)	418.7	289.1	45
119.1	106.4	12	113.9	109.3	4	23.0	21.5	7	2.6	10.2	(75)	1,368.5	1,092.5	25
1.5	3.6	(58)	9.4	9.1	3	1.3	0.8	63	(0.2)	-	-	73.2	31.8	130
60.5	50.4	20	81.2	72.5	12	9.4	8.8	7	61.5	29.5	108	797.5	638.2	25
57.1	52.4	9	23.3	27.7	(16)	12.3	11.9	3	(58.7)	(19.3)	(204)	497.8	422.5	18
22.5	20.4	10	7.9	9.4	(16)	4.2	4.0	5	(35.7)	(19.2)	(86)	168.1	138.7	21
-	-	-	-	-	-	-	-	-	(5.5)	4.5	(222)	(7.6)	2.4	(417)
34.6	32.0	8	15.4	18.3	(16)	8.1	7.9	3	(17.5)	(4.6)	(280)	337.3	281.4	20
0.1	0.5	(80)	0.1	0.5	(80)	-	-	-	1.8	31.0	(94)	8.8	45.5	(81)
-	-	-	-	-	-	-	-	-	-	96.9	(100)	-	96.9	(100)
3.5	1.8	94	12.9	13.2	(2)	-	-	-	5.8	0.7	729	48.8	37.2	31
-	-	-	-	-	-	-	-	-	(0.2)	(0.9)	78	(0.2)	(0.9)	78
(1.1)	(0.5)	(120)	(1.0)	(1.2)	17	-	-	-	(1.7)	(48.8)	97	(10.3)	(59.0)	83
-	-	-	-	-	-	-	-	-	-	-	-	(7.2)	-	-
\$ 32.1	\$ 30.2	6%	\$ 3.4	\$ 5.8	(41)%	\$ 8.1	\$ 7.9	3%	\$ (23.2)	\$ (83.5)	72%	\$ 283.0	\$ 161.7	75%
\$ 2,606	\$ 1,944	34%	\$ 2,639	\$ 2,156	22%	\$ 529	\$ 553	(4)%	\$ (897)	\$ (136)	(560)%	\$ 24,304	\$ 21,939	11%
1,796	1,489	21	1,850	1,475	25	294	242	21	86	48	79	17,311	14,378	20
29	23	26	33	18	83	4	4	-	-	2	(100)	260	196	33
68	23	196	255	244	5	-	-	-	71	23	209	880	641	37
2,193	1,551	41	1,764	1,385	27	382	405	(6)	(728)	(26)	(2,700)	17,842	15,070	18
211	161	31	439	390	13	38	33	15	(192)	(155)	(24)	2,281	1,779	28
1.47%	1.87%		0.75%	0.96%		1.59%	1.78%					1.47%	1.34%	
24.72%	25.69%		9.71%	13.36%		22.57%	27.79%					25.41%	27.40%	
50.38%	46.81%		70.66%	65.64%		40.53%	40.57%					57.43%	57.46%	
754	619		1,007	874		56	52		1,459	1,057		8,124	6,915	
47	41		55	50		1	1		-	-		326	289	
-	-		4	4		-	-		-	-		86	84	
-	-		-	-		-	-		-	-		1	1	
47	41		59	54		1	1		-	-		413	374	
45	38		135	88		-	-		-	-		589	509	

ZIONS FIRST NATIONAL BANK AND SUBSIDIARIES

Zions First National Bank and Subsidiaries ("ZFNB") includes the Company's operations in Utah and Idaho. Net income for ZFNB increased 29.7% to \$135.4 million for 2001 compared to \$104.4 million for 2000, which was down 8.6% from the \$114.2 million earned in 1999. Operating cash earnings was \$143.2 million in 2001, an increase of 33.3% from \$107.4 million earned in 2000, which was down 7.2% from \$115.7 million earned in 1999. ZFNB experienced strong loan growth in 2001, with loans increasing 24.1% over 2000 to \$6.1 billion. Deposits increased 27.4% during the year to \$5.3 billion. The increase in net income for 2001 compared to 2000 includes a 33.2% increase in net interest income reflecting an improved margin and the strong loan and deposit growth. Noninterest income increased 54.3% to \$234.5 million and includes a \$47.5 million gain on sale realized from ZFNB's appreciated investment in a nonpublic investee and an increase of \$34.8 million in loan sales and servicing income, driven by loan securitization activity and servicing fees. For 2001 ZFNB increased its loan loss provision 411.0% to \$41.9 million compared to \$8.2 million for 2000 and \$9.0 million for 1999. Nonperforming assets for ZFNB increased from \$19.1 million at December 31, 2000 to \$52.1 million at December 31, 2001. Net loan and lease charge-offs for 2001 were \$22.6 million compared to \$12.1 million for 2000. Noninterest expense for 2001 increased 29.1% compared to 2000, reflecting increased costs to originate and service the bank's strong loan and deposit growth and the additional expenses of Draper Bank, acquired in January 2001. The decrease in net income for 2000 compared to 1999 resulted mainly from decreased pretax income of \$50.9 million from investments in venture capital entities. After-tax operating losses from a ZFNB subsidiary, Digital Signature Trust Company, were \$12.7 million for 2001, \$8.8 million for 2000 and \$4.1 million for 1999.

CALIFORNIA BANK & TRUST

Results of operations for California Bank & Trust ("CB&T") for the years presented are influenced due to acquisitions accounted for as purchases during 2001 and 1999. See Note 3 of the Notes to Consolidated Financial Statements for further information about the acquisitions.

Net income for CB&T increased 29.8% to \$96.2 million for 2001, compared to \$74.1 million for 2000 and \$49.4 million for 1999. Operating cash earnings was \$120.6 million for 2001, up 29.8% from the \$92.9 million earned in 2000, which was up 34.6% from the \$69.0 million earned in 1999. In 2001, net loans and leases increased 17.5% to \$5.7 billion and deposits increased 21.2% to \$6.8 billion from year-end 2000. Net interest income for 2001 increased 15.6% from 2000 to \$343.7 million while other noninterest income increased 109.2% to \$91.2 million and includes \$27.6 million of gain on sale realized from CB&T's appreciated investment in a nonpublic investee. For 2001 CB&T increased its loan loss provision to \$9.2 million. No provision for loan losses was recorded for 2000 or 1999. Nonperforming assets for CB&T increased from \$19.6 million at December 31, 2000 to \$32.6 million at December 31, 2001. Net loan and lease charge-offs for 2001 were \$11.5 million compared to \$14.2 million for 2000. Noninterest expense excluding merger-related expense and amortization of intangibles increased 21.7% for 2001 compared to 2000. In March 2001, the Company completed its acquisition of Eldorado Bancshares, Inc. and its banking subsidiaries Eldorado Bank and Antelope Valley Bank, which were merged into CB&T in a transaction accounted for as a purchase. CB&T incurred pretax merger charges of \$5.0 million during 2001, \$5.6 million during 2000 and \$9.4 million during 1999. As described in Note 17 of the Notes to Consolidated Financial Statements, in April 2001 the Company reacquired a minority interest of CB&T.

NEVADA STATE BANK

Net income for Nevada State Bank ("NSB") increased 36.0% to \$31.0 million for 2001, as compared to \$22.8 million in 2000 and \$18.5 million for 1999. Operating cash earnings for NSB was \$32.9 million for 2001, up 19.6% from the \$27.5 million earned in 2000, which was down 5.2% from \$29.0 million earned in 1999. Earnings for 2001 included a provision for loan losses of \$10.1 million, the same as 2000, compared to \$3.7 million for 1999. Nonperforming assets for NSB decreased to \$2.0 million at December 31, 2001 compared to \$4.7 million at December 31, 2000. Net loan and lease charge-offs for 2001 were \$2.4 million compared to \$6.8 million for 2000. During 2000 NSB incurred \$5.3 million of pretax merger expense related to the terminated First Security Corporation merger and the operating conversion costs of Pioneer Bancorporation, compared to \$12.6 million of merger-related expense incurred during 1999. No merger expenses were incurred during 2001. Net loans at year-end 2001 increased 9.5% from 2000 while total deposits increased 7.4%.

NATIONAL BANK OF ARIZONA

Net income for National Bank of Arizona ("NBA") was up 6.3% to \$32.1 million in 2001, compared to \$30.2 million in 2000 and \$26.2 million for 1999. Operating cash earnings at NBA was \$34.6 million for 2001, up 8.1% from the \$32.0 million earned in 2000, which was up 15.9% from the \$27.6 million of cash earnings in 1999. Net loans increased 20.6% from year-end 2000 to \$1.8 billion at year-end 2001 and deposits increased 41.4% to \$2.2 billion. The provision for loan and lease losses was decreased to \$1.5 million for 2001 compared to \$3.6 million for 2000 and \$2.4 million provided for in 1999. Nonperforming assets for NBA increased to \$11.5 million at December 31, 2001 compared to \$7.5 million at December 31, 2000. Net loan and lease charge-offs for 2001 were \$0.6 million compared to \$0.3 million for 2000. In April 2001 the Company completed an acquisition of nine Arizona branches of Pacific Century Bank which were combined into NBA.

VECTRA BANK COLORADO

Net income for Vectra Bank Colorado ("Vectra") decreased 41.4% to \$3.4 million from \$5.8 million in 2000, which was up 190.0% from the \$2.0 million earned in 1999. Operating cash earnings for Vectra was \$15.4 million for 2001, down 15.8% from the \$18.3 million earned in 2000, which was up 18.8% from the \$15.4 million earned in 1999. The decrease in earnings for 2001 compared to 2000 is mainly the result of a reduction in interest margin for the bank and increased expenses for the year. Salaries and benefits increased 19.4% and advertising increased 38.5% as Vectra filled key infrastructure positions and initiated changes to expand the bank's customer base and presence in Colorado. Net loans and leases increased 25.4% from year-end 2000 to \$1.9 billion at year-end 2001 and deposits increased 27.4% to \$1.8 billion. The provision for loan losses was increased to \$9.4 million for 2001, compared to \$9.1 million for 2000 and \$2.6 million provided for in 1999. Nonperforming assets for Vectra increased to \$18.8 million at December 31, 2001 compared to \$18.0 million at December 31, 2000. Net loan and lease charge-offs for 2001 were \$0.9 million compared to \$8.9 million for 2000. In November 2001 the Company completed its acquisition of Minnequa Bancorp, Inc. and its banking subsidiary, The Minnequa Bank of Pueblo. The Minnequa Bank of Pueblo was merged with Vectra.

THE COMMERCE BANK OF WASHINGTON

Net income for The Commerce Bank of Washington ("Commerce") was \$8.1 million for 2001, compared to \$7.9 million for 2000 and \$5.7 million for 1999. Net loans and leases increased 21.5% from year-end 2000 to \$294 million at year-end 2001 and deposits decreased 5.7% to \$382 million. The provision for loan and lease losses was increased to \$1.3 million for 2001, compared to \$0.8 million for 2000 and \$0.6 million provided for in 1999. Nonperforming assets for Commerce increased to \$3.4 million at December 31, 2001, compared to \$1.8 million at December 31, 2000. Net loan and lease charge-offs for 2001 were \$0.4 million, compared to \$0.2 million for 2000.

OTHER

Other includes the Parent and other various nonbanking subsidiaries. Net losses in the other category was \$23.2 million for 2001, compared to losses of \$83.5 million for 2000 and losses of \$21.9 million for 1999. The decreased net loss for 2001, compared to 2000, of \$60.3 million is mainly due to the recognition during 2000 of a \$96.9 million pretax impairment loss on First Security Corporation common stock and \$31.0 million of pretax merger expense mainly related to the terminated First Security Corporation merger, offset in part by gains of \$23.6 million from the subsequent sale of the First Security Corporation common stock. As described in Note 3 of the Notes to Consolidated Financial Statements, the Company acquired three companies in July 2001 that were combined to form Lexign, Inc., and are included in Other. A net loss of \$6.2 million and an operating cash loss of \$4.1 million are included in Other for 2001 from Lexign, Inc.

INCOME STATEMENT ANALYSIS

NET INTEREST INCOME, MARGIN AND INTEREST RATE SPREADS

Net interest income on a taxable-equivalent basis is the difference between interest earned on assets and interest paid on liabilities, with adjustments made to present income on assets exempt from income taxes comparable to other taxable income. Changes in the mix and volume of earning assets and interest-bearing liabilities, their related yields and overall interest rates have a major impact on earnings. In 2001 taxable-equivalent net interest income provided 69.8% of the Company's net taxable-equivalent revenues compared to 74.0% for both 2000 and 1999, excluding the impairment loss on the First Security Corporation common stock for 2000.

The Company's taxable-equivalent net interest income increased by 18.1% to \$970.0 million in 2001 as compared to \$821.5 million in 2000 and \$757.7 million in 1999. The increased level of taxable-equivalent net interest income was driven by a 8.8% and 9.5% growth in average earning assets for 2001 and 2000, respectively. The increase for 2001 compared to 2000 was also driven by an increase in the net interest margin as described below. The Company manages its earnings sensitivity to interest rate movements, in part, by matching the repricing characteristics of its assets and liabilities and, to a lesser extent, through the use of certain derivative instruments such as interest rate exchange contracts (swaps), caps, spread maintenance agreements and forward agreements. See Note 8 of the Notes to Consolidated Financial Statements for further information regarding the Company's derivative instruments and hedging activity.

The continued securitization and sale of loans impacted the increase in net interest income. Securitized loan sales convert net interest income from loans to gains on loan sales and servicing revenue reported in noninterest income. Loan sales improve the Company's liquidity, limit its exposure to credit losses, and may reduce its capital requirements.

The net interest margin, the ratio of taxable-equivalent net interest income to average earning assets, was 4.64% in 2001, 4.27% in 2000 and 4.31% in 1999. The increased margin for 2001 resulted primarily from a more attractive balance sheet composition as well as a major decrease in interest rates which increased interest income from derivatives used to hedge the portfolio. Average loans and leases increased 17.3% to \$16.0 billion for 2001, while average securities declined 12.0% and average borrowed funds decreased 11.4%. The decrease in the margin for 2000 was primarily due to robust loan growth financed by short-term funding sources instead of traditional core deposit growth.

Schedule 2 analyzes the average balances, the amount of interest earned or paid, and the applicable rates for the various categories of earning assets and interest-bearing funds that represent the components of net interest income. Schedule 3 analyzes the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years shown. In the schedules, the principal amounts of nonaccrual and renegotiated loans have been included in the average loan balances used to determine the rate earned on loans. Interest income on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. Interest on restructured loans is generally accrued at reduced rates.

The incremental tax rate used for calculating the taxable-equivalent adjustment was 35% for all years presented.

SCHEDULE 2
DISTRIBUTION OF ASSETS, LIABILITIES, AND SHAREHOLDERS' EQUITY
AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Amounts in millions)	2001			2000		
	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
ASSETS:						
Money market investments	\$ 924	\$ 34.9	3.78%	\$ 1,061	\$ 67.4	6.35%
Securities:						
Held to maturity	56	3.4	5.98%	3,254	222.1	6.83%
Available for sale	3,269	207.2	6.34%	685	44.8	6.53%
Trading account	647	30.9	4.78%	574	36.3	6.32%
Total securities	3,972	241.5	6.08%	4,513	303.2	6.72%
Loans:						
Loans held for sale	220	13.1	5.94%	192	14.5	7.52%
Net loans and leases ²	15,795	1,322.6	8.37%	13,457	1,259.2	9.36%
Total loans and leases	16,015	1,335.7	8.34%	13,649	1,273.7	9.33%
Total interest-earning assets	\$ 20,911	\$ 1,612.1	7.71%	\$ 19,223	\$ 1,644.3	8.55%
Cash and due from banks	821			826		
Allowance for loan losses	(229)			(203)		
Goodwill	703			572		
Core deposit and other intangibles	101			76		
Other assets	1,513			1,228		
Total assets	\$ 23,820			\$ 21,722		
LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW deposits	\$ 2,060	\$ 32.3	1.57%	\$ 1,783	\$ 40.0	2.24%
Money market and super NOW deposits	7,039	219.3	3.12%	6,210	289.4	4.66%
Time deposits under \$100,000	1,984	98.2	4.95%	1,719	87.7	5.10%
Time deposits \$100,000 and over	1,658	86.5	5.22%	1,408	80.4	5.71%
Foreign deposits	106	2.9	2.79%	138	6.3	4.56%
Total interest-bearing deposits	12,847	439.2	3.42%	11,258	503.8	4.48%
Borrowed funds:						
Securities sold, not yet purchased	340	17.0	5.01%	311	19.7	6.32%
Federal funds purchased and security repurchase agreements	2,668	95.9	3.59%	2,747	159.7	5.81%
Commercial paper	336	14.5	4.30%	316	20.7	6.55%
FHLB advances and other borrowings:						
One year or less	404	21.7	5.37%	1,161	76.2	6.56%
Over one year	191	10.1	5.28%	140	8.5	6.06%
Long-term debt	581	43.7	7.52%	429	34.2	7.98%
Total borrowed funds	4,520	202.9	4.49%	5,104	319.0	6.25%
Total interest-bearing liabilities	\$ 17,367	\$ 642.1	3.70%	\$ 16,362	\$ 822.8	5.03%
Noninterest-bearing deposits	3,907			3,316		
Other liabilities	385			329		
Total liabilities	21,659			20,007		
Minority interest	30			40		
Total shareholders' equity	2,131			1,675		
Total liabilities and shareholders' equity	\$ 23,820			\$ 21,722		
Spread on average interest-bearing funds			4.01%			3.52%
Net interest income and net yield on interest-earning assets		\$ 970.0	4.64%		\$ 821.5	4.27%

¹ Taxable-equivalent rates used where applicable.

² Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.

1999			1998			1997		
Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
\$ 1,185	\$ 67.2	5.67%	\$ 1,629	\$ 92.3	5.67%	\$ 1,558	\$ 88.3	5.67%
3,277	204.6	6.24%	2,271	154.8	6.82%	1,790	126.5	7.07%
741	42.4	5.72%	849	48.6	5.72%	671	46.0	6.86%
538	30.1	5.59%	430	24.0	5.58%	276	16.2	5.87%
<u>4,556</u>	<u>277.1</u>	6.08%	<u>3,550</u>	<u>227.4</u>	6.41%	<u>2,737</u>	<u>188.7</u>	6.89%
178	12.2	6.85%	202	14.3	7.08%	163	11.9	7.30%
11,641	1,019.0	8.75%	7,430	708.8	9.54%	4,384	437.6	9.98%
11,819	1,031.2	8.72%	7,632	723.1	9.47%	4,547	449.5	9.89%
\$ 17,560	\$ 1,375.5	7.83%	\$ 12,811	\$ 1,042.8	8.14%	\$ 8,842	\$ 726.5	8.22%
856			657			471		
(211)			(132)			(81)		
574			515			119		
81			58			13		
1,052			488			341		
<u>\$ 19,912</u>			<u>\$ 14,397</u>			<u>\$ 9,705</u>		
\$ 1,812	\$ 44.1	2.43%	\$ 1,338	\$ 39.4	2.94%	\$ 860	\$ 24.6	2.86%
5,521	203.6	3.69%	3,712	134.5	3.62%	2,532	100.5	3.97%
2,085	98.5	4.72%	1,651	85.7	5.19%	866	44.9	5.18%
1,257	61.1	4.86%	894	49.3	5.51%	310	18.0	5.81%
165	7.2	4.36%	182	8.2	4.51%	142	6.4	4.51%
<u>10,840</u>	<u>414.5</u>	3.82%	<u>7,777</u>	<u>317.1</u>	4.08%	<u>4,710</u>	<u>194.4</u>	4.13%
271	15.6	5.76%	202	10.0	4.95%	92	5.3	5.76%
2,369	108.5	4.58%	1,908	90.5	4.74%	2,206	114.7	5.20%
194	10.8	5.57%	28	1.6	5.71%	-	-	
545	28.5	5.23%	63	4.0	6.35%	34	2.4	7.06%
76	4.8	6.32%	114	6.6	5.79%	136	8.2	6.03%
453	35.1	7.75%	347	29.1	8.39%	253	22.4	8.85%
<u>3,908</u>	<u>203.3</u>	5.20%	<u>2,662</u>	<u>141.8</u>	5.33%	<u>2,721</u>	<u>153.0</u>	5.62%
\$ 14,748	\$ 617.8	4.19%	\$ 10,439	\$ 458.9	4.40%	\$ 7,431	\$ 347.4	4.68%
3,249			2,448			1,439		
316			196			158		
<u>18,313</u>			<u>13,083</u>			<u>9,028</u>		
37			9			-		
1,562			1,305			677		
<u>\$ 19,912</u>			<u>\$ 14,397</u>			<u>\$ 9,705</u>		
		3.64%			3.74%			3.54%
	<u>\$ 757.7</u>	4.31%		<u>\$ 583.9</u>	4.56%		<u>\$ 379.1</u>	4.29%

SCHEDULE 3

ANALYSIS OF INTEREST CHANGES DUE TO VOLUME AND RATE

	2001 over 2000			2000 over 1999		
	Changes due to		Total changes	Changes due to		Total changes
(Amounts in millions)	Volume	Rate ¹		Volume	Rate ¹	
INTEREST-EARNING ASSETS:						
Money market investments	\$ (5.2)	\$ (27.3)	\$ (32.5)	\$ (6.9)	\$ 7.1	\$ 0.2
Securities:						
Held to maturity	(191.2)	(27.5)	(218.7)	(1.6)	19.1	17.5
Available for sale	163.8	(1.4)	162.4	(3.2)	5.6	2.4
Trading account	3.5	(8.9)	(5.4)	2.1	4.1	6.2
Total securities	(23.9)	(37.8)	(61.7)	(2.7)	28.8	26.1
Loans:						
Loans held for sale	1.6	(3.0)	(1.4)	1.0	1.2	2.2
Net loans and leases ²	196.3	(132.9)	63.4	166.2	74.0	240.2
Total loans and leases	197.9	(135.9)	62.0	167.2	75.2	242.4
Total interest-earning assets	\$ 168.8	\$ (201.0)	\$ (32.2)	\$ 157.6	\$ 111.1	\$ 268.7
INTEREST-BEARING LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW deposits	\$ 4.3	\$ (12.0)	\$ (7.7)	\$ (0.6)	\$ (3.5)	\$ (4.1)
Money market and super NOW deposits	25.5	(95.6)	(70.1)	27.7	58.1	85.8
Time deposits under \$100,000	13.1	(2.6)	10.5	(17.4)	6.6	(10.8)
Time deposits \$100,000 and over	13.0	(6.9)	6.1	7.9	11.4	19.3
Foreign deposits	(0.9)	(2.5)	(3.4)	(1.2)	0.3	(0.9)
Total interest-bearing deposits	55.0	(119.6)	(64.6)	16.4	72.9	89.3
Borrowed funds:						
Securities sold, not yet purchased	1.4	(4.1)	(2.7)	2.4	1.6	4.0
Federal funds purchased and security repurchase agreements	(2.7)	(61.1)	(63.8)	19.1	32.1	51.2
Commercial paper	0.9	(7.1)	(6.2)	7.7	2.2	9.9
FHLB advances and other borrowings:						
One year or less	(40.7)	(13.8)	(54.5)	38.9	8.8	47.7
Over one year	2.7	(1.1)	1.6	3.9	(0.2)	3.7
Long-term debt	11.5	(2.0)	9.5	(1.8)	0.9	(0.9)
Total borrowed funds	(26.9)	(89.2)	(116.1)	70.2	45.4	115.6
Total interest-bearing liabilities	\$ 28.1	\$ (208.8)	\$ (180.7)	\$ 86.6	\$ 118.3	\$ 204.9
Change in net interest income	\$ 140.7	\$ 7.8	\$ 148.5	\$ 71.0	\$ (7.2)	\$ 63.8

¹ Taxable-equivalent income used where applicable.

² Net of unearned income and fees. Loans include nonaccrual and restructured loans.

In the analysis of interest changes due to volume and rate, the changes due to the volume/rate variance have been allocated to volume with the following exceptions: when volume and rate have both increased, the variance has been allocated proportionately to both volume and rate; when the rate has increased and volume has decreased, the variance has been allocated to rate.

PROVISION FOR LOAN LOSSES

The provision for loan losses reflects management's judgment of the expense to be recognized in order to maintain an adequate allowance for loan losses. See the discussion on allowance for loan losses under Risk Elements. The provision for loan losses was \$73.2 million in 2001 compared to \$31.8 million in 2000 and \$18.0 million in 1999. The provision was .46% of average loans for 2001, .23% in 2000 and .15% for 1999. The significantly increased provision for loan losses for 2001 reflects management's evaluation of its various portfolios, statistical trends and other economic factors, and its desire to maintain a strong coverage of non-performing assets in a continued uncertain economic environment in the markets in which it operates.

NONINTEREST INCOME

Noninterest income comprised 30.2% of net taxable-equivalent revenues in 2001 compared to 26.0% in both 2000 and 1999, excluding the impairment loss recognized on the First Security Corporation common stock in 2000. Noninterest income was \$418.7 million in 2001, an increase of 44.8% over \$289.1 million excluding the impairment loss for 2000, which was up 8.5% over \$266.5 million in 1999. Schedule 4 shows the major components of noninterest income.

SCHEDULE 4 NONINTEREST INCOME

<i>(Amounts in millions)</i>	2001	Percent change	2000	Percent change	1999	Percent change	1998	Percent change	1997
Service charges on									
deposit accounts	\$101.0	29.0 %	\$ 78.3	2.0 %	\$ 76.8	25.7 %	\$ 61.1	36.7 %	\$ 44.7
Loan sales and servicing income	96.8	87.2	51.7	27.7	40.5	(19.6)	50.4	30.2	38.7
Other service charges,									
commissions, and fees	78.3	20.3	65.1	(1.5)	66.1	16.0	57.0	39.4	40.9
Trust income	18.3	0.5	18.2	15.2	15.8	43.6	11.0	35.8	8.1
Income from securities conduit	12.3	6,050.0	0.2	-	-	-	-	-	-
Underwriting and trading									
income	18.5	83.2	10.1	(12.2)	11.5	25.0	9.2	61.4	5.7
Investment securities									
gains (losses), net	18.3	23.6	14.8	593.3	(3.0)	(173.2)	4.1	355.6	0.9
Impairment loss on First Security									
Corporation common stock	-	(100.0)	(96.9)	-	-	-	-	-	-
Gains (losses) on nonmarketable									
venture capital investments	(30.1)	(481.0)	7.9	(81.5)	42.6	-	-	-	-
Income from rate swaps not									
designated as FASB 133 hedges	14.2	-	-	-	-	-	-	-	-
Gains from nonpublic investee									
appreciation and related derivatives	54.5	-	-	-	-	-	-	-	-
Other income	36.6	(14.5)	42.8	164.2	16.2	(6.9)	17.4	87.1	9.3
Total	\$418.7	117.8 %	\$192.2	(27.9) %	\$266.5	26.8 %	\$210.2	41.7 %	\$148.3

Service charges for 2001 compared to 2000 increased 29.0%, reflecting improved deposit growth in 2001 and the effect of acquisitions consummated during 2001. Service charges for 2000 compared with 1999 were relatively flat, reflecting the modest deposit growth experienced by the Company during 2000 and a competitive service charge environment in the Company's markets.

Loan sales and servicing income increased 87.2% to \$96.8 million in 2001 compared to \$51.7 million in 2000, which was up 27.7% from \$40.5 million in 1999. Gains from securitizations as discussed in Note 7 of the Notes to Consolidated Financial Statements were \$34.7 million for 2001 compared to \$16.5 million for 2000, and include for 2001 a gain of \$12.1 million from the sale of \$447 million of SBA 504 loans and a gain of \$1.7 million from the sale of \$281 million of non-conforming residential real estate loans. Gains from securitizations also include gains from the sale of loans into revolving securitizations as described in Note 7. Assumption changes and increased margins on securitized loans resulted in income of \$16.8 million for 2001, compared to \$13.6 million for 2000. During 2001, the Company also recognized income of \$9.2 million representing interest income on retained interests in accordance with the provisions of Emerging Issues Task Force Issue No. 99-20 as described in Note 7. Servicing fees on securitized loans sold increased to \$12.0 million for 2001 compared to \$7.8 million for 2000, as a result of the increased loans serviced for 2001. Income from other loans sold increased to \$24.1 million for 2001 compared to \$13.8 million for 2000, mainly as a result of increased sales of conforming residential real estate loans sold servicing released.

Other service charges, commissions and fees, which include investment, brokerage and fiscal agent fees, electronic delivery system fees, insurance commissions, merchant fee income and other miscellaneous fees, were \$78.3 million in 2001, up 20.3% from the \$65.1 million of fees earned in 2000, which were down 1.5% from the \$66.1 million earned in 1999. Fees for 2001 include \$5.4 million in fees earned by acquired technology company subsidiaries not included in 2000 revenues. The decrease in fees for 2000 resulted from a decrease in brokerage and fiscal agent fees of \$1.1 million and a decrease in commissions and fees from insurance products of \$1.4 million.

Trust income for 2001 was essentially unchanged from 2000, which was up 15.2% over 1999. During 2000, the Company significantly expanded its trust services in Arizona and Colorado. For 2001 the Company recognized \$12.3 million in liquidity, interest rate agreement and administrative fees from a securities conduit used by the Company in its securitization activities. See Note 7 of the Notes to Consolidated Financial Statements for further information regarding securitization activities and the securities conduit. Underwriting and trading income increased 83.2% to \$18.5 million in 2001 from \$10.1 million in 2000, which was down 12.2% from \$11.5 million earned in 1999. Underwriting and trading income for 2001 includes \$3.3 million in appreciation of held to maturity securities transferred to trading in conjunction with the adoption of FASB Statement No. 133 and sold during the first quarter. The decrease for 2000 reflected a slow down in capital markets transactions. Investment securities gains for 2000 included gains of \$23.6 million on the sale of First Security Corporation common stock and impairment losses of \$13.4 million on marketable technology company investments by the Company's venture funding group.

The Company invests in nonmarketable securities through several venture funding subsidiaries. During 2001, the Company recognized losses of \$30.1 million from such investments compared to gains of \$7.9 million in 2000 and \$42.6 million in 1999. See Note 1 of the Notes to Consolidated Financial Statements for the Company's accounting policies on non-marketable securities.

During 2001, a nonpublic investee of the Company was sold to a public company, Concord EFS, Inc., for restricted common stock of the acquirer. As a result of the sale, a gain of \$50.2 million was recognized based on the estimated fair value of the restricted stock received as consideration for the investee company.

To monetize the value of the restricted securities and hedge possible declines in their value, the Company entered into a forward sale transaction whereby it agreed to deliver the restricted securities to the counterparty on December 8, 2008. As consideration for the agreement, the counterparty agreed to pay approximately 82% of the current value at the time the transaction was entered into plus any subsequent increase in the value of the securities up to 30% of the contract value at the contract settlement date. The forward sale contract was treated as a derivative contract that was a fair value hedge of the securities and carried at fair value. During the period the forward contract increased in value by approximately \$4.3 million more than the securities decreased in value. Both the initial gain of \$50.2 million and the net derivative gain \$4.3 million were reported in other income.

In September 2001, the Company contributed the securities and the forward sale contract to a Trust in exchange for two classes of securities (the "Class A Certificates" and the "Class B Certificates"). An affiliate of the counterparty to the forward contract contributed substantially identical securities and forward sales contracts to the Trust in exchange for Class C Certificates (the controlling residual interest) in the Trust. Under terms of the forward contract, approximately \$78 million was deposited into the Trust and invested in certificates of deposit of the Company. The Trust holds no other assets and is not permitted to incur any liabilities.

The transfer of the securities and forward contract to the Trust represented a sale of the transferred assets for financial reporting purposes. As a result of the sale of the securities and forward contract to the Trust, the Company recorded an additional gain of \$20.6 million in investment securities gains, resulting from the subsequent appreciation in the securities and the elimination of the effects of the restrictions of the sale of the securities. The Class A and B Certificates were initially recorded by the Company at approximately \$83 million, are classified as available for sale securities, and carried in the balance sheet at fair value.

The Class A Certificates held by the Company have a scheduled redemption amount of approximately \$78 million and a redemption date of September 30, 2010, and will yield a cumulative preferred return of 5.355% from the operating earnings of the Trust. The amount due to the Class A Certificate holders upon redemption will be satisfied first by delivery of certificates of deposit and then by payment from other assets of the Trust. Class B Certificates will be allocated the first 30% of any appreciation in the securities held by the Trust and will not have any preferred return.

Other income, which includes income from cash surrender value appreciation on investments in bank-owned life insurance, net gains and losses recognized on nonmarketable securities and related interest and dividends excluding the Company's venture capital investments, income from investments accounted for under the equity method, net gains on sales of fixed assets and other assets, and other items, was \$36.6 million in 2001, a decrease of 14.5% from \$42.8 million earned in 2000. Other income for 2000 was up 164.2% from the \$16.2 million earned in 1999. The decrease for 2001 compared to 2000 is mainly the result of a decrease in income from nonmarketable securities of \$9.1 million for 2001 compared to 2000, a decrease in income from investments accounted for under the equity method of \$3.5 million and increased income from cash surrender value appreciation on bank-owned life insurance of \$5.2 million. The increase in other income for 2000 compared to 1999 results mainly from increased income from nonmarketable securities of \$14.2 million for 2000 compared to 1999, increased income from investments accounted for under the equity method of \$2.8 million and increased income from cash surrender value appreciation on bank-owned life insurance of \$3.9 million.

NONINTEREST EXPENSE

The Company's noninterest expense was \$855.1 million in 2001, an increase of 18.6% over \$720.8 million in 2000, which was up 5.8% over the \$681.6 million in 1999. Included in 2001, 2000 and 1999 expense was \$8.8 million, \$45.5 million and \$27.7 million, respectively, in merger-related expense. Excluding merger-related expense and amortization of goodwill, core deposit and other intangibles, noninterest expense increased 25.0% for 2001 compared to 2000 and 3.3% for 2000 over 1999. Schedule 5 shows the major components of noninterest expense.

SCHEDULE 5 NONINTEREST EXPENSE

(Amounts in millions)	2001	Percent change	2000	Percent change	1999	Percent change	1998	Percent change	1997
Salaries and employee benefits	\$ 441.5	26.8 %	\$ 348.3	0.5 %	\$ 346.7	32.6 %	\$ 261.5	58.6 %	\$ 164.9
Occupancy, net	64.1	24.0	51.7	4.7	49.4	47.9	33.4	85.6	18.0
Furniture and equipment	61.1	15.9	52.7	16.1	45.4	18.5	38.3	56.3	24.5
Other real estate expense (income)	2.3	666.7	0.3	400.0	(0.1)	(114.3)	0.7	133.3	0.3
Legal and professional services	32.0	62.4	19.7	21.6	16.2	(0.6)	16.3	101.2	8.1
Supplies	14.8	34.5	11.0	(1.8)	11.2	(5.9)	11.9	41.7	8.4
Postage	13.1	20.2	10.9	(6.8)	11.7	6.4	11.0	50.7	7.3
Advertising	22.8	(10.2)	25.4	37.3	18.5	46.8	12.6	70.3	7.4
Merger-related expense	8.8	(80.7)	45.5	64.3	27.7	(27.3)	38.1	4,662.5	0.8
FDIC premiums	3.2	(5.9)	3.4	54.5	2.2	46.7	1.5	114.3	0.7
Amortization of goodwill	33.2	29.2	25.7	5.8	24.3	22.1	19.9	290.2	5.1
Amortization of core deposit and other intangibles	15.6	35.7	11.5	(1.7)	11.7	(0.8)	11.8	490.0	2.0
Other expenses	142.6	24.3	114.7	(1.7)	116.7	17.1	99.7	52.4	65.4
Total	\$ 855.1	18.6 %	\$ 720.8	5.8 %	\$ 681.6	22.4 %	\$ 556.7	77.9 %	\$ 312.9

Salaries and employee benefits increased 26.8% for 2001 compared to 2000. Salaries and wages for 2000 increased a modest 0.5% from 1999. The increased salaries and benefits for 2001 resulted from enhanced incentive programs that contributed to the Company's strong loan and deposit growth, increased staffing to handle customer growth, increased staffing for expanded e-commerce and technology initiatives and additional staffing resulting from the acquisitions completed during the year. Employee benefit costs also increased significantly in 2001 because of increased retirement plan expenses and employee health plan cost increases. See the following discussion regarding increased full-time equivalent employees for 2001 compared to 2000.

Legal and professional fees also increased significantly for 2001 compared to 2000. The 62.4% increase resulted mainly from increased expenditures related to consolidating back-office functions, enhancing e-commerce and other technological capabilities, legal and accounting fees related to the nonpublic investee transactions, and other projects to improve operational efficiencies and enhance revenues.

The increases in occupancy, furniture and equipment expense, supplies, postage and other expenses for 2001 compared to 2000 reflects the effects of the 2001 acquisitions, the significant internal growth experienced by the Company and increased expenditures in selected areas to enhance revenue growth. The significant increases in occupancy and furniture and equipment expense for 2000 compared to 1999 resulted primarily from the addition of office facilities, installation of personal computers and local area networks, and expenses related to technology initiatives including Internet security and authentication systems. The 37.3% increase in advertising expense for 2000 compared to 1999 reflects efforts to promote Internet banking products and reestablish the Company's presence in critical markets subsequent to the terminated merger with First Security Corporation.

On December 31, 2001, the Company had 8,124 full-time equivalent employees and 412 domestic offices compared to 6,915 employees and 373 offices at year-end 2000 and 6,833 full-time equivalent employees and 362 offices at year-end 1999.

The Company's operating cash "efficiency ratio," or noninterest expenses, excluding amortization of goodwill, amortization of core deposit and other intangibles, merger-related expense and the cumulative effect of a change in accounting principle, as a percentage of total taxable-equivalent net revenues, was 57.4% in 2001 compared to 57.5% in 2000 and 60.3% in 1999.

Because of favorable loss experience and a healthy reserve ratio in the Bank Insurance Fund ("BIF") of the FDIC, well capitalized and well managed banks, including the Company's bank subsidiaries, have in recent years paid relatively small premiums for FDIC insurance. A number of factors suggest that as early as the second half of 2002, even well capitalized and well managed banks will be required to pay increased premiums on deposit insurance. The amount of any such premiums will depend on the outcome of legislative and regulatory initiatives as well as the BIF loss experience and other factors, none of which the Company is in a position to predict at this time.

INCOME TAXES

The Company's income tax expense for 2001 was \$157.8 million compared to \$79.7 million in 2000 and \$109.5 million in 1999. The Company's effective income tax rate was 35.8% in 2001, 32.8% in 2000 and 35.5% in 1999. The lower effective tax rate for 2000 resulted mainly from a higher percentage of nontaxable income and lower nondeductible merger-related expenses.

BALANCE SHEET ANALYSIS

EARNING ASSETS

Earning assets consist of money market investments, securities and loans. A comparative average balance sheet report, including earning assets, is presented in Schedule 2. Average earning assets increased 8.8% to \$20,911 million in 2001 compared to \$19,223 million in 2000. Average earning assets comprised 87.8% of total average assets in 2001 compared with 88.5% in 2000. Average earnings assets were 90.9% of average tangible assets in 2001 compared to 91.2% in 2000.

Average money market investments, consisting of interest-bearing deposits, federal funds sold and security resell agreements, decreased 12.9% to \$924 million in 2001 compared to \$1,061 million in 2000.

Average securities decreased 12.0% to \$3,972 million in 2001, compared to \$4,513 million in 2000. Average held to maturity securities decreased from \$3,254 million for 2000 to \$56 million for 2001, and available for sale securities increased from \$685 million for 2000 to \$3,269 million for 2001. Trading account securities increased 12.7% to \$647 million. Effective January 1, 2001, the Company transferred securities from held to maturity to available for sale or trading as allowed by FASB Statement No. 133 transition provisions, and during the first quarter, sold investment securities transferred to trading to improve its balance sheet composition.

Average net loans and leases increased 17.3% to \$16,015 million in 2001 compared to \$13,649 million in 2000, representing 76.6% of average earning assets in 2001 compared to 71.0% in 2000. Average net loans and leases were 95.6% of average total deposits in 2001, as compared to 93.7% in 2000.

INVESTMENT SECURITIES PORTFOLIO

Schedule 6 presents the Company's year-end investment securities on December 31, 2001, 2000, and 1999. Schedule 7 presents the Company's maturities and average yields on securities on December 31, 2001. See Notes 1, 4 and 8 of the Notes to Consolidated Financial Statements for additional information about securities.

SCHEDULE 6
INVESTMENT SECURITIES PORTFOLIO

(Amounts in millions)	December 31,					
	2001		2000		1999	
	Amortized cost	Market value	Amortized cost	Market value	Amortized cost	Market value
HELD TO MATURITY:						
U.S. Treasury securities	\$ -	\$ -	\$ 1	\$ 1	\$ 1	\$ 1
U.S. government agencies and corporations:						
Small Business Administration						
loan-backed securities	-	-	560	563	440	445
Other agency securities	-	-	1,269	1,285	1,270	1,233
States and political subdivisions	-	-	292	296	314	309
Mortgage-backed securities	79	80	1,003	1,008	1,305	1,303
	79	80	3,125	3,153	3,330	3,291
AVAILABLE FOR SALE:						
U.S. Treasury securities	61	63	51	52	93	93
U.S. government agencies and corporations:						
Small Business Administration						
loan-backed securities	674	674	-	-	-	-
Other agency securities	769	781	94	94	51	50
States and political subdivisions	505	514	185	190	102	97
Mortgage/asset-backed and other debt securities	960	969	274	273	147	143
	2,969	3,001	604	609	393	383
Equity securities:						
Mutual funds:						
Accessor Funds, Inc.	266	267	159	160	141	139
Stock	10	16	18	13	242	257
	276	283	177	173	383	396
	3,245	3,284	781	782	776	779
Total	\$ 3,324	\$ 3,364	\$ 3,906	\$ 3,935	\$ 4,106	\$ 4,070

SCHEDULE 7
MATURITIES AND AVERAGE YIELDS ON SECURITIES
ON DECEMBER 31, 2001

(Amounts in millions)	Total securities		Within one year		After one but within five years		After five but within ten years		After ten years	
	Amount	Yield *	Amount	Yield *	Amount	Yield *	Amount	Yield *	Amount	Yield *
HELD TO MATURITY:										
Mortgage-backed securities	\$ 79	6.8 %	\$ -		\$ -		\$ -		\$ 79	6.8 %
	79	6.8 %	-		-		-		79	6.8 %
AVAILABLE FOR SALE:										
U.S. Treasury securities	61	5.2 %	27	5.1 %	34	5.3 %	-		-	
U.S. government agencies and corporations:										
Small Business Administration										
loan-backed securities	674	4.7 %	75	4.7 %	172	4.7 %	128	4.7 %	299	4.7 %
Other agency securities	769	6.0 %	74	3.3 %	175	6.1 %	378	6.2 %	142	7.1 %
States and political subdivisions	505	7.8 %	66	7.5 %	180	8.3 %	129	8.4 %	130	6.8 %
Mortgage/asset-backed and other debt securities	960	5.9 %	308	6.0 %	427	6.0 %	66	6.5 %	159	5.3 %
	2,969	6.0 %	550	5.6 %	988	6.2 %	701	6.3 %	730	5.7 %
Equity securities:										
Mutual funds:										
Accessor Funds, Inc.	266	3.2 %	186	1.7 %	-		-		80	6.6 %
Stock	10	-	-		-		-		10	-
	276	3.0 %	186	1.7 %	-		-		90	5.9 %
	3,245	5.7 %	736	4.6 %	988	6.2 %	701	6.3 %	820	5.7 %
Total	\$ 3,324	5.8 %	\$ 736	4.6 %	\$ 988	6.2 %	\$ 701	6.3 %	\$ 899	5.8 %

* Taxable-equivalent rates used where applicable.

The Company also has investments in several publicly traded companies accounted for using the equity method and classified in other assets. The following table presents certain information regarding these investments:

			December 31, 2001		Unrealized gain in market value of equity method investments
(Amounts in millions)	Symbol	Exchange	Carrying value	Market value	
COMPANY					
Federal Agricultural Mortgage Corporation (Farmer Mac)	AGM/A	NYSE	\$ 4	\$ 9	\$ 5
Federal Agricultural Mortgage Corporation (Farmer Mac)	AGM	NYSE	16	61	45
ICAP plc (Garban - Intercapital PLC)	IAP LN	London Stock Exchange	25	69	44
MACC Private Equities, Inc.	MACC	NASDAQ	4	6	2
Total publicly traded equity investments			\$ 49	\$ 145	\$ 96

LOAN PORTFOLIO

During 2001, the Company consummated sales of automobile loans, credit card receivables, home equity credit lines, nonconforming residential real estate loans, Small Business Administration loans, low loan-to-value commercial mortgages and Federal Agricultural Mortgage Corporation ("Farmer Mac") loans totaling \$1,685 million, compared to securitized loan sales of \$1,141 million during 2000. During 2001, the Company also sold \$610 million of long-term residential mortgage loans, SBA loans, Farmer Mac loans and student loans classified as held for sale compared to \$533 million sold during 2000. After these sales, gross loans and leases on December 31, 2001 totaled \$17,413 million, an increase of 20.4% compared to \$14,458 million on December 31, 2000.

Schedule 8 sets forth the amount of loans outstanding by type on December 31 for the years indicated and the maturity distribution and sensitivity to changes in interest rates of the portfolio on December 31, 2001.

SCHEDULE 8

LOAN PORTFOLIO BY TYPE AND MATURITY

(Amounts in millions)	December 31, 2001				December 31,			
	One year or less	One year through five years	Over five years	Total	2000	1999	1998	1997
Loans held for sale	\$ 5	\$ 87	\$ 206	\$ 298	\$ 181	\$ 205	\$ 232	\$ 179
Commercial, financial and agricultural	2,079	1,331	699	4,109	3,615	3,036	2,844	1,406
Real estate:								
Construction	2,005	902	29	2,936	2,273	1,722	960	576
Other:								
Home equity credit line	45	28	328	401	263	232	232	165
1-4 family residential	358	353	2,457	3,168	2,911	2,503	2,207	742
Other real estate-secured	679	1,227	3,220	5,126	4,190	4,168	3,894	1,678
	3,087	2,510	6,034	11,631	9,637	8,625	7,293	3,161
Consumer:								
Bankcard	92	30	4	126	135	107	99	73
Other	126	426	155	707	472	490	472	417
	218	456	159	833	607	597	571	490
Lease financing	31	252	138	421	317	275	214	176
Foreign loans	7	-	7	14	26	53	44	-
Other receivables	89	17	1	107	75	62	72	95
Total loans	\$ 5,516	\$ 4,653	\$ 7,244	\$ 17,413	\$14,458	\$ 12,853	\$ 11,270	\$ 5,507
Loans maturing in more than one year:								
With fixed interest rates		\$ 2,152	\$ 3,435	\$ 5,587				
With variable interest rates		2,501	3,809	6,310				
Total		\$ 4,653	\$ 7,244	\$ 11,897				

SOLD LOANS BEING SERVICED

On December 31, 2001, conforming long-term first mortgage real estate loans serviced for others amounted to \$364 million, compared to \$198 million on December 31, 2000, and \$237 million on December 31, 1999. Consumer and other loan securitizations serviced totaled \$2,648 million, \$1,750 million, and \$1,252 million on December 31, 2001, 2000 and 1999, respectively. Schedule 9 summarizes the Company's activity in its sold loans being serviced portfolio (excluding conforming long-term first mortgage real estate loans). See Notes 1 and 7 of the Notes to Consolidated Financial Statements for additional information on asset securitizations.

SCHEDULE 9 SOLD LOANS BEING SERVICED

(Amounts in millions)	2001		2000		1999	
	Sales	Outstanding at year-end	Sales	Outstanding at year-end	Sales	Outstanding at year-end
Auto loans	\$ 206	\$ 312	\$ 164	\$ 310	\$ 195	\$ 326
Home equity credit lines	308	349	248	312	255	274
Bankcard receivables	259	79	169	61	194	67
Nonconforming residential real estate loans	281	222	-	-	-	-
Home refinance loans	-	-	-	6	-	10
SBA 504 loans	447	1,079	494	722	212	275
SBA 7(a) loans	76	237	1	52	15	67
Farmer Mac	108	370	65	287	111	233
Total	\$ 1,685	\$ 2,648	\$ 1,141	\$ 1,750	\$ 982	\$ 1,252

(Amounts in millions)	Residual interests on balance sheet at December 31, 2001		
	Subordinated retained interest	Capitalized residual cash flows	Total
Auto loans	\$ 20	\$ 19	\$ 39
Home equity credit lines	9	10	19
Bankcard receivables	3	1	4
Nonconforming residential real estate loans	3	7	10
Home refinance loans	-	-	-
SBA 504 loans	93	74	167
SBA 7(a) loans	-	2	2
Farmer Mac	-	3	3
Total	\$ 128	\$ 116	\$ 244

As of December 31, 2001, the Company had assets of \$244 million recorded on its balance sheet related to the \$2,648 million of loans sold to securitized trusts. The Company does not control or have any equity interests in the trusts. However, as is common with securitized transactions, the Company has retained subordinated interests of \$128 million representing the Company's junior position to other investors in the securities. The capitalized residual cash flows (sometimes called "excess servicing") of \$116 million principally represent the present value of excess cash flows over the life of the sold loans. These excess cash flows are subject to prepayment risk. See Note 7 of the Notes to Consolidated Financial Statements.

DEPOSITS AND BORROWED FUNDS

Total deposits increased 18.4% to \$17,842 million on December 31, 2001, as compared to \$15,070 million on December 31, 2000. Comparing December 31, 2001 to December 31, 2000, demand deposits increased 25.0%, savings and money market deposits increased 15.0%, and time deposits under \$100,000 increased 26.2%, while time deposits \$100,000 and over increased 14.9% and foreign deposits decreased 2.3%.

As derived from Schedule 2, total average deposits increased 15.0% to \$16,754 million in 2001 from \$14,574 million in 2000. Average noninterest-bearing deposits increased 17.8%, average savings and NOW deposits increased 15.5%, average money market and super NOW deposits increased 13.3%, and average time deposits under \$100,000 increased 15.4%. Average time deposits \$100,000 and over increased 17.8% over 2000 average balances and average foreign deposits decreased 23.2% for 2001, as compared with 2000.

See Notes 11, 12 and 13 of the Notes to Consolidated Financial Statements and the discussion under Liquidity Risk Management for information on borrowed funds.

CAPITAL

The Company's basic financial objective is to consistently produce superior risk-adjusted returns on its shareholders' capital. The Company believes that a strong capital position is vital to continued profitability and to promote depositor and investor confidence. The Company's goal is to steadily achieve a high return on shareholders' equity, while at the same time maintaining "risk-based capital" of not less than the "well-capitalized" threshold, as defined by federal banking regulators.

Total shareholders' equity on December 31, 2001 was \$2,281 million, an increase of 28.2% over total shareholders' equity of \$1,779 million on December 31, 2000. The Company's tangible common equity ratio, tangible equity to tangible assets, was 5.98% at December 31, 2001 compared to 5.34% at December 31, 2000. The ratio of average equity to average assets for 2001 was 8.95%, compared to 7.71% for 2000.

The Company repurchased and retired 883,240 shares in 2001, 80,174 shares in 2000 and 115,769 shares in 1999 of its common stock at a cost of \$46.5 million, \$3.9 million and \$6.7 million, respectively. In January 2002, the Company's Board of Directors approved a stock buyback of \$55 million.

The Company's Tier 1 leverage ratio was 6.56%, as compared to 6.38% on December 1, 2000. On December 31, 2001, the Company's Tier 1 risk-based capital ratio was 8.25%, as compared to 8.53% on December 31, 2000. On December 31, 2001 the Company's total risk-based capital ratio was 12.20%, as compared to 10.83% on December 31, 2000. Regulatory minimum capital adequacy ratios for Tier 1 leverage, Tier 1 risk-based capital and total risk-based capital are 3%, 4% and 8%, respectively. Ratios to be considered well capitalized are 5%, 6% and 10%, respectively. See Note 19 of the Notes to Consolidated Financial Statements for additional information on risk-based capital.

The U.S. federal bank regulatory agencies' risk-capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision (the "BIS"). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines that each country's supervisors can use to determine the supervisory policies they apply. In January 2001, the BIS released a proposal to replace the 1988 capital accord with a new capital accord that would set capital requirements for operational risk and refine the existing capital requirements for credit risk and market risk exposures. Operational risk is defined to mean the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. The 1988 capital accord does not include separate capital requirements for operational risk. The events of September 11, 2001 demonstrate the importance for financial institutions to manage operational risks. The BIS proposal outlines several alternatives for capital assessment of operational risks, including two standardized approaches and an "internal measurement approach" tailored to individual institutions' circumstances. The BIS has stated that its objective is to finalize a new capital accord in 2002 and for member countries to implement the new accord in 2005. The ultimate timing for the new accord and the specifics of capital assessments for addressing operational risk are uncertain. However, the Company expects that a new capital accord addressing operational risk will eventually be adopted by the

BIS and implemented by the U.S. federal bank regulatory agencies. The Company is evaluating what effect the new capital requirements that may arise out of a new BIS capital accord may have on its minimum capital requirements.

DIVIDENDS

Dividends per share were \$.80 in 2001, a decrease of 10.1% from \$.89 in 2000, which were up 23.6% over \$.72 in 1999. The Company's quarterly dividend rate was \$.14 for the first quarter of 1999. For the second and third quarters of 1999 the dividend was increased to \$.29 per share to bring it into parity with the dividend rate of First Security Corporation. See the discussion of the terminated acquisition in Note 3 of Notes to Consolidated Financial Statements. No dividend was declared during the fourth quarter of 1999. Dividends were \$.29 for the first quarter of 2000 and were reduced to \$.20 for the second quarter of 2000 after the merger agreement with First Security Corporation was terminated. Dividends remained at \$.20 per share for the third and fourth quarter of 2000 and all four quarters of 2001.

FOREIGN OPERATIONS

Zions First National Bank opened a foreign office located in Grand Cayman, Grand Cayman Islands, B.W.I. in 1980. The office accepts foreign deposits from qualified customers. Foreign deposits at December 31, 2001, 2000 and 1999 totaled \$133 million, \$136 million and \$210 million, respectively, and averaged \$106 million for 2001, \$138 million for 2000 and \$165 million for 1999. See Schedule 8 for details of foreign loans outstanding.

RISK ELEMENTS

CREDIT RISK MANAGEMENT

Management of credit risk is essential in maintaining a safe and sound institution. The Company has structured its organization to separate the lending function from the credit administration function to strengthen the control and independent evaluation of credit activities. Loan policies and procedures provide the Company with a framework for consistent underwriting and a basis for sound credit decisions. In addition, the Company has well-defined standards for grading its loan portfolio, and management utilizes a comprehensive loan grading system to determine risk potential in the portfolio. A separate internal credit examination department periodically conducts examinations of the quality, documentation and administration of the Company's lending departments, and submits reports thereon to a committee of the board of directors. Emphasis is placed on early detection of potential problem credits so that action plans can be developed on a timely basis to mitigate losses.

Another aspect of the Company's credit risk management strategy is the diversification of the loan portfolio. At year-end, the Company had 2% of its portfolio in loans held for sale, 24% in commercial, financial and agricultural loans, 67% in loans secured by real estate, 5% in consumer loans, and 2% in lease financing. The Company's real estate loan portfolio is also diversified. Of the total real estate loan portfolio, 25% is in real estate construction loans, 4% is in home equity credit lines, 27% is in 1-4 family residential loans and 44% is in commercial loans secured by real estate. The Company's commercial real estate concentration is in part mitigated by its emphasis on lending programs sponsored by the Small Business Administration, which carries the preponderance of credit risk on these types of loans. The Company also focuses on the provision of commercial real estate credit to borrowers that occupy the facility. In addition, the Company attempts to avoid the risk of an undue concentration of credits in a particular industry or trade group. See Note 6 of the Notes to Consolidated Financial Statements for further information on concentrations of credit risk. The Company has no significant exposure to highly leveraged transactions. Most of the Company's business activity is with customers located within the states of Utah, Idaho, California, Nevada, Arizona, Colorado, and Washington. Also, the Company does not have significant exposure to any individual customer or counterparty.

NONPERFORMING ASSETS

Nonperforming assets include nonaccrual loans, restructured loans and other real estate owned. Loans are generally placed on nonaccrual status when the loan is 90 days or more past due as to principal or interest, unless the loan is in the process of collection and well-secured. Consumer loans are normally not placed on a nonaccrual status, inasmuch as they are generally charged off when they become 120 days past due. Loans are restructured to provide a reduction or deferral of interest or principal payments when the financial condition of the borrower deteriorates and requires that the borrower be given temporary or permanent relief from the original contractual terms of the credit. Other real estate owned is primarily acquired through or in lieu of foreclosure on credits secured by real estate.

The Company's nonperforming assets were \$120 million on December 1, 2001, up from \$71 million on December 31, 2000. Such nonperforming assets as a percentage of net loans and leases, other real estate owned and other nonperforming assets were .69% on December 31, 2001, compared to .49% on December 31, 2000.

Accruing loans past due 90 days or more totaled \$46 million on December 31, 2001, up from \$27 million on December 31, 2000. These loans equaled .27% of net loans and leases on December 31, 2001, as compared to .19% on December 31, 2000.

No loans were considered potential problem loans on December 31, 2001 or 2000. Potential problem loans are defined as loans presently on accrual and not contractually past due 90 days or more and not restructured, but about which management has serious doubt as to the future ability of the borrower to comply with present repayment terms and which may result in the reporting of the loans as nonperforming assets in the future.

The Company's total recorded investment in impaired loans included in nonaccrual loans and leases amounted to \$80 million and \$46 million on December 31, 2001 and 2000, respectively. The Company considers a loan to be impaired when the accrual of interest has been discontinued and the loan meets certain other criteria. The amount of the impairment is measured based on the present value of expected cash flows, the observable market price of the loan, or the fair value of the collateral. Impairment losses are included in the allowance for loan losses through a provision for loan losses. Included in the allowance for loan losses on December 31, 2001 and 2000, is an allowance of \$18 million and \$10 million, respectively, on \$20 million and \$16 million, respectively, of the recorded investment in impaired loans. See Note 5 of the Notes to Consolidated Financial Statements for additional information on impaired loans.

SCHEDULE 10
NONPERFORMING ASSETS

(Amounts in millions)	December 31,				
	2001	2000	1999	1998	1997
Nonaccrual loans:					
Commercial, financial and agricultural	\$ 40	\$ 20	\$ 29	\$ 12	\$ 4
Real estate	59	34	34	39	7
Consumer	2	2	1	1	1
Lease financing	6	2	1	3	1
Other	2	-	-	-	-
Restructured loans:					
Commercial, financial and agricultural	-	2	-	-	-
Real estate	1	1	1	5	1
Other real estate owned:					
Commercial, financial and agricultural:					
Improved	3	6	5	-	2
Unimproved	2	2	3	-	-
Residential:					
1-4 Family	4	2	1	2	1
Multifamily	1	-	-	-	-
Other	-	-	-	3	-
Total	\$ 120	\$ 71	\$ 75	\$ 65	\$ 17
% of net loans* and leases, other real estate owned and other nonperforming assets	.69 %	.49 %	.58 %	.58 %	.31 %
Accruing loans past due 90 days or more:					
Commercial, financial and agricultural	\$ 8	\$ 8	\$ 4	\$ 5	\$ 2
Real estate	34	18	15	20	7
Consumer	4	1	2	1	1
Total	\$ 46	\$ 27	\$ 21	\$ 26	\$ 10
% of net loans* and leases	.27 %	.19 %	.16 %	.23 %	.18 %

* Includes loans held for sale.

ALLOWANCE FOR LOAN LOSSES

The Company's allowance for loan losses was 1.50% of net loans and leases on December 31, 2001, compared to 1.36% on December 31, 2000. Net charge-offs in 2001 were \$39 million, or .24% of average loans and leases, compared to net charge-offs of \$42 million, or .31% of average net loans and leases in 2000 and net charge-offs of \$30 million, or .25% of average net loans and leases in 1999.

The allowance, as a percentage of nonaccrual loans and restructured loans, was 236.7% on December 31, 2001, compared to 320.7% on December 31, 2000 and 310.9% on December 31, 1999. The allowance, as a percentage of nonaccrual loans and accruing loans past due 90 days or more, was 168.2% on December 31, 2001, compared to 229.4% on December 31, 2000 and 238.1% on December 31, 1999.

In analyzing the adequacy of the allowance for loan losses, management utilizes a comprehensive loan grading system to determine risk potential in the portfolio, and considers the results of independent internal and external credit reviews. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type. Historical loss experience factors by segment, adjusted for changes in trends and conditions, are used in determining the required allowance for each segment. Historical loss factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific portfolio segment. Other considerations such as volumes and trends of delinquencies, nonaccruals, repossessions and bankruptcies, criticized and classified loan trends, current and anticipated foreclosure losses, new products and policies, economic conditions, concentrations of credit risk, and experience and abilities of lending personnel are also considered in establishing the loss factors.

All loans graded substandard or doubtful in the amount of \$500 thousand or more are individually evaluated based on facts and circumstances of the loan, and a specific allowance amount may be designated. Specific allowances may also be established for loans in amounts below the specified thresholds when it is determined that the risk differs significantly from factor amounts established for the category.

Although management has allocated a portion of the allowance to specific loan categories using the methods described, the adequacy of the allowance must be considered in its entirety. To mitigate the imprecision in most estimates of expected credit losses, the allocated component of the allowance is supplemented by an unallocated component. The unallocated portion of the allowance includes management's judgmental determination of the amounts necessary for subjective factors such as economic uncertainties and concentration risks. Accordingly, the relationship of the unallocated component to the total allowance for loan losses may fluctuate from period to period. On December 31, 2001, the allowance for loan losses includes an allocation of \$8 million related to commitments to extend credit on loans for which the Company could separate the credit risk from that of any related loans on the balance sheet and for standby letters of credit. Schedule 11 provides a breakdown of the allowance for loan losses by loan category and Schedule 12 summarizes loan loss experience.

SCHEDULE 11
ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

(Amounts in millions)	2001		2000		1999		1998		1997	
	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance
TYPE OF LOAN										
Loans held for sale	1.7 %	\$ 2	1.3 %	\$ -	1.6 %	\$ -	2.1 %	\$ -	3.3 %	\$ -
Commercial, financial and agricultural	23.7 %	72	25.1 %	57	23.8 %	46	25.4 %	83	25.5 %	17
Real estate	66.8 %	146	66.7 %	110	67.4 %	100	64.9 %	52	57.4 %	28
Consumer	4.8 %	19	4.2 %	9	4.6 %	12	5.1 %	12	8.9 %	10
Lease financing	2.4 %	10	2.2 %	4	2.1 %	6	1.9 %	6	3.2 %	2
Other receivables	0.6 %	2	0.5 %	-	0.5 %	-	0.6 %	-	1.7 %	-
Total loans	100.0 %		100.0 %		100.0 %		100.0 %		100.0 %	
Off-balance sheet										
unused commitments and										
standby letters of credit		8		14		23		20		9
Total allocated		259		194		187		173		66
Unallocated		1		2		17		40		23
Total allowance for loan losses		\$ 260		\$ 196		\$ 204		\$ 213		\$ 89

SCHEDULE 12
SUMMARY OF LOAN LOSS EXPERIENCE

(Amounts in millions)	2001	2000	1999	1998	1997
Loans* and leases outstanding on December 31, (net of unearned income)	\$ 17,311	\$ 14,378	\$ 12,791	\$ 11,219	\$ 5,463
Average loans* and leases outstanding (net of unearned income)	\$ 16,015	\$ 13,649	\$ 11,819	\$ 7,632	\$ 4,547
Allowance for loan losses:					
Balance at beginning of year	\$ 196	\$ 204	\$ 213	\$ 89	\$ 77
Allowance of companies acquired	30	2	3	126	14
Provision charged against earnings	73	32	18	14	6
Loans and leases charged off:					
Commercial, financial and agricultural	(30)	(38)	(32)	(9)	(6)
Real estate	(5)	(4)	(3)	(6)	-
Consumer	(13)	(9)	(9)	(9)	(8)
Lease financing	(7)	(2)	(2)	(1)	-
Total	(55)	(53)	(46)	(25)	(14)
Recoveries:					
Commercial, financial and agricultural	10	6	6	3	2
Real estate	2	1	7	3	2
Consumer	3	3	3	3	2
Lease financing	1	1	-	-	-
Total	16	11	16	9	6
Net loan and lease charge-offs	(39)	(42)	(30)	(16)	(8)
Balance at end of year	\$ 260	\$ 196	\$ 204	\$ 213	\$ 89
Ratio of net charge-offs to average loans and leases	.24 %	.31 %	.25 %	.21 %	.19 %
Ratio of allowance for loan losses to loans and leases outstanding on December 31,	1.50 %	1.36 %	1.60 %	1.89 %	1.62 %
Ratio of allowance for loan losses to nonperforming loans on December 31,	236.65 %	320.69 %	310.87 %	354.94 %	655.59 %
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more on December 31,	166.23 %	229.35 %	238.07 %	264.20 %	389.19 %

* Includes loans held for sale.

MARKET RISK MANAGEMENT

Market risk is the possibility that changes in interest rates or equity securities prices will impair the fair value of the Company's financial instruments. The Asset/Liability Committee ("ALCOM") measures and reviews the market risk of the Company and establishes policies and procedures to limit its exposure to changes in interest rates. These policies are reviewed and approved by the Boards of Directors of the Company's subsidiary banks. ALCOM objectives are summarized as follows: ensure the safety and soundness of bank deposits, while providing an appropriate return to shareholders; provide the basis for integrated balance sheet, net interest income and liquidity management; calculate the duration, dollar duration, and convexity of each class of assets, liabilities, and net equity given defined interest rate scenarios; manage the Company's exposure to changes in net interest income and market value of equity due to interest rate fluctuations; quantify the effect of hedging instruments on the market value of equity and net interest income under defined interest rate scenarios; and identify and report any risk exposures that exceed limitations approved by the Board of Directors.

Interest rate risk is the most significant market risk regularly undertaken by the Company. This risk is monitored through the use of two complementary measurement methods: duration of equity and income simulation.

Duration of equity is derived by first calculating the dollar duration of all assets, liabilities and derivative instruments. Dollar duration is determined by calculating the market value of each instrument assuming interest rates sustain immediate and parallel movements up 1% and down 1%. The average of these two changes in market value is the dollar duration, which incorporates the value of embedded and explicit options within each instrument. Subtracting the dollar duration of liabilities from the dollar duration of assets and adding the net dollar duration of derivative instruments results in the dollar duration of equity. Duration of equity is computed by dividing the dollar duration of equity by the market value of equity.

Income simulation is an estimate of the net interest income that would be recognized under different rate environments. Net interest income is measured under several parallel and nonparallel interest rate environments and considers the possible exercise of options within the portfolio.

At year-end 2001 and 2000, the Company's duration of equity was estimated to be approximately 3.0 years and 4.0 years, respectively. A 200 basis point immediate increase in rates was estimated to increase the duration of equity to 4.1 years in 2001 and 4.6 years in 2000. Conversely, an immediate decrease in rates of similar magnitude was estimated to maintain the duration of equity at 3.0 years in 2001 and decrease it to 3.2 years in 2000. Company policy requires that all three of these measures be between 0 and 7 years.

For income simulation, Company policy requires that net interest income not be expected to decline by more than 10% during one year if rates were to immediately rise or fall by 200 basis points. At year-end 2001, net interest income was expected to increase 3.8% if interest rates were to sustain an immediate increase of 200 basis points and decline 10% if rates were to sustain an immediate decrease of 200 basis points. It should be noted that LIBOR and U.S. Treasury rates with maturities six months and less were below 2% at year-end 2001. In the scenario of interest rates decreasing 200 basis points, the rate was not permitted to fall below .1%. At year-end 2000, net interest income was expected to decline .4% if rates were to increase 200 basis points and decline 1.6% if rates were to decrease 200 basis points. These estimates include management's assumptions regarding loan and deposit pricing, security and loan prepayments, and changing relationships to market rates.

Management exercises its best judgment in making assumptions regarding loan and security prepayments, early deposit withdrawals, and other noncontrollable events in managing the Company's exposure to changes in interest rates. The interest rate risk position is actively managed and changes daily as the interest rate environment changes; therefore, positions at the end of any period may not be reflective of the Company's position in any subsequent period.

At year-end the one-year gap for the Company was negative \$1,580 million; i.e., the \$14,425 million of assets that mature or reprice during 2002 was less than the sum of \$15,899 million of liabilities and the negative \$106 million net effect of derivative instruments that mature or reprice during the same period. This gap represented 6.5% of total assets. Details of the repricing characteristics of the balance sheet as of year-end are presented in Schedule 13. The Company does not have policy limits regarding its gap position.

SCHEDULE 13
MATURITIES AND INTEREST RATE SENSITIVITY
ON DECEMBER 31, 2001

(Amounts in millions)	Rate sensitive					Not rate sensitive	Total
	Within three months	After three months but within one year	After one year but within five years	After five years			
USES OF FUNDS							
Earning assets:							
Interest-bearing deposits	-	-	\$ 3	-	-	\$	3
Federal funds sold	\$ 58	-	-	-	-		58
Security resell agreements	222	-	-	-	-		222
Securities:							
Held to maturity	76	-	-	\$ 3	-		79
Available for sale	1,493	\$ 466	571	754	-		3,284
Trading account	103	-	-	-	-		103
Loans and leases	9,777	2,230	4,119	924	-		17,050
Nonearning assets	-	-	-	-	\$ 3,505		3,505
Total uses of funds	\$ 11,729	\$ 2,696	\$ 4,693	\$ 1,681	\$ 3,505	\$	24,304
SOURCES OF FUNDS							
Interest-bearing deposits and liabilities:							
Savings and money market deposits	\$ 6,655	\$ 952	\$ 1,426	\$ 475	-	\$	9,508
Time deposits under \$100,000	576	1,071	407	1	-		2,055
Time deposits \$100,000 and over	690	758	216	1	-		1,665
Foreign	133	-	-	-	-		133
Securities sold, not yet purchased	87	-	-	-	-		87
Federal funds purchased	1,204	-	-	-	-		1,204
Security repurchase agreements	934	-	-	-	-		934
Commercial paper	309	-	-	-	-		309
FHLB advances and other borrowings:							
One year or less	156	25	-	-	-		181
Over one year	-	-	3	238	-		241
Long-term debt	-	50	-	731	-		781
Noninterest-bearing deposits	2,299	-	-	-	\$ 2,182		4,481
Other liabilities	-	-	-	-	428		428
Minority interest	-	-	-	-	16		16
Shareholders' equity	-	-	-	-	2,281		2,281
Total sources of funds	\$ 13,043	\$ 2,856	\$ 2,052	\$ 1,446	\$ 4,907	\$	24,304
Derivative instruments affecting							
interest rate sensitivity	\$ (513)	\$ 407	\$ 87	\$ 19	-		
Interest rate sensitivity gap	\$ (1,827)	\$ 247	\$ 2,728	\$ 254	\$ (1,402)		
Percent of total assets	(7.52) %	1.02 %	11.22 %	1.05 %	(5.77) %		
Cumulative interest rate sensitivity gap	\$ (1,827)	\$ (1,580)	\$ 1,148	\$ 1,402	-		
Cumulative as a % of total assets	(7.52) %	(6.50) %	4.72 %	5.77 %	-		

The Company, through the management of maturities and repricing of its assets and liabilities and the use of certain derivative instruments, including interest rate caps, floors, futures, options and exchange agreements, attempts to manage the effect on net interest income of changes in interest rates. The prime lending and the LIBOR (London Interbank Offer Rate) curve, are the primary indices used for pricing the Company's loans, and the 91-day Treasury bill rate is the index used for pricing many of the Company's deposits. The Company does not hedge the prime/LIBOR/T-bill spread risk through the use of derivative instruments. Interest rate swap maturities and average rates are presented in Schedule 14. For additional information regarding derivative instruments, refer to Notes 1 and 8 of the Notes to Consolidated Financial Statements.

SCHEDULE 14
INTEREST RATE SWAP MATURITIES AND AVERAGE RATES

(Amounts in millions)	2002	2003	2004	2005	Thereafter	Total
Receive fixed rate/pay variable rate:						
Notional amount	\$ 628	\$ 202	\$ 322	\$ 299	\$ 56	\$ 1,507
Weighted average rate received	7.10 %	6.86 %	6.74 %	7.09 %	6.27 %	6.96 %
Weighted average rate paid	2.27 %	2.36 %	2.49 %	2.36 %	2.88 %	2.37 %
Receive variable rate/pay fixed rate:						
Notional amount	\$ -	\$ 140	\$ 325	\$ 250	\$ 50	\$ 765
Weighted average rate received	-	2.10 %	2.37 %	2.33 %	1.93 %	2.28 %
Weighted average rate paid	-	5.04 %	5.29 %	5.39 %	5.39 %	5.28 %

LIQUIDITY RISK MANAGEMENT

The Company manages its liquidity to provide adequate funds to meet its anticipated financial obligations, including withdrawals by depositors and debt service requirements, as well as to fund customers' demand for credit. Liquidity is provided primarily by the regularly scheduled maturities of the Company's investment and loan portfolios. Management of the maturities of these portfolios is an important source of medium- to long-term liquidity. The Company's ability to raise funds in the capital markets through the securitization process also allows it to meet funding needs at a reasonable cost.

The Federal Home Loan Bank ("FHLB") system is a major source of liquidity for each of the Company's subsidiary banks. Zions First National Bank and The Commerce Bank of Washington are members of the FHLB of Seattle. California Bank & Trust, Nevada State Bank, and National Bank of Arizona are members of the FHLB of San Francisco. Vectra Bank Colorado is a member of the FHLB of Topeka. The FHLB allows member banks to borrow against their eligible loans to satisfy liquidity requirements.

The parent company's cash requirements consist primarily of debt service, operating expenses, income taxes, dividends to shareholders and share repurchases. The Parent's cash needs are routinely met through dividends from subsidiaries, proportionate shares of current income taxes, management and other fees, unaffiliated bank lines, and debt issuance.

At December 31, 2001, \$257.8 million of dividend capacity was available from subsidiaries to pay to the Parent without having to obtain regulatory approval. During 2001, dividends from subsidiaries were \$254.4 million. The Parent also has a program to issue short-term commercial paper. At December 31, 2001 outstanding commercial paper was \$309 million. At December 31, 2001, the Parent had a revolving credit facility with a bank totaling \$40 million and a margin borrowing facility totaling \$20 million. No balances were borrowed on either of these facilities at year-end 2001.

In May 2001, the Company issued \$200 million of subordinated debt through a newly formed subsidiary, Zions Financial Corp. The debt is unconditionally guaranteed by Zions Bancorporation and matures in May 2011. In October 2001, the Company issued an additional \$200 million of subordinated debt which matures in October 2011. See Notes 11, 12 and 13 of the Notes to Consolidated Financial Statements for additional information regarding the Company's borrowings.

Zions First National Bank provides a liquidity facility for a fee to a qualified special purpose entity securities conduit ("conduit"). In July of 2001, the liquidity facility was increased from \$2.0 billion to \$5.1 billion. The conduit purchases U.S. Government and AAA rated securities. These assets are funded through the issuance of commercial paper. With certain limitations, ZFNB is required to advance funds to the conduit to repay maturing commercial paper upon the conduit's inability to access the commercial paper market or upon a commercial paper market disruption. Following the events of September 11, which caused disruption in the commercial paper markets, the conduit drew upon the liquidity facility in the amount of \$180 million. Amounts drawn were repaid shortly after the commercial paper markets returned to normal. No amounts were outstanding under this liquidity facility at December 31, 2001 and 2000. See Note 7 of the Notes to Consolidated Financial Statements for additional information on the conduit.

CRITICAL ACCOUNTING POLICIES

SECURITIZATION TRANSACTIONS

Securitization activities represent a significant source of the Company's overall funding as discussed under Liquidity Risk Management. These transactions involve periodic transfers of loans or other receivables to off-balance sheet qualified special purpose entities ("QSPEs"). The Company may retain a cash reserve account, an interest-only strip, and in some cases a subordinated tranche, all of which are retained interests in the securitized assets. The Company's retained interests are subject to credit, prepayment, and interest rate risk. The measurement of the retained interests requires the Company to make economic assumptions regarding these risk factors. See Notes 1 and 7 of the Notes to Consolidated Financial Statements for discussions regarding the Company's policies for valuation and impairment assessments on asset securitizations, detail on the assumptions used and the sensitivity of the fair value of retained interests to adverse changes in the assumptions.

DERIVATIVES

The Company uses certain derivative instruments to add stability to interest income or expense, to modify the duration of specific assets and liabilities, and to manage exposure to interest rate movements. The Company does not participate in speculative derivatives trading. The fair value of these derivative instruments is generally determined using the market standard methodology of netting discounted future cash receipts and payments. The values of these derivatives will change over time as cash receipts and payments are made and as market conditions change. The Company also faces the risk that certain derivatives designated as hedges that currently meet the strict hedge accounting requirements of FASB Statement No. 133 may not qualify as highly effective or meet the other requirements of Statement No. 133 to be accounted for as hedges. See the section on Market Risk Management and Notes 1 and 8 of the Notes to Consolidated Financial Statements for further information about the Company's derivatives.

ALLOWANCE FOR LOAN LOSSES

Management utilizes a comprehensive loan grading system to determine risk potential in its loan portfolio. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends, all of which may be susceptible to significant change. See the sections on Credit Risk Management, Allowance for Loan Losses and Provision for Loan Losses, and Notes 1 and 5 of Notes to the Consolidated Financial Statements for a description of the methodology used by the Company to determine the required allowance for loan losses, a discussion of risks associated with the process, and additional information regarding the allowance and associated provision.

NONMARKETABLE SECURITIES

The Company, through its Small Business Investment Corporation ("SBIC") subsidiaries, has investments in venture capital securities. These nonmarketable venture capital securities are reported at estimated fair values in the absence of readily ascertainable fair values. Management believes that the cost of an investment is initially the best indication of estimated fair value unless there have been significant subsequent positive or negative developments that justify an adjustment to the fair value estimate. As of December 31, 2001, the carrying value of these securities which are classified in other assets was approximately \$72 million. The Company's portion of any losses incurred on these investments would be reduced by minority interests in the SBICs. The values assigned to these securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Although management believes its estimates of fair value reasonably reflect the fair value of these securities, key assumptions regarding the projected financial performance of these companies, the evaluation of the investee company's management team, and other economic and market factors may not necessarily reflect those of an active market for these investments. If there had been an active market for these securities at year-end, the carrying value may have been significantly different than the amounts reported. See Notes 1 and 4 of the Notes to Consolidated Financial Statements for additional information regarding these investments.

RELATED PARTIES

At December 31, 2001, transactions with related parties are limited to loan and deposit relationships and other transactions in the ordinary course of business. As discussed in Note 17 of the Notes to the Consolidated Financial Statements, during 2001 the Company reacquired a minority interest in its subsidiary California Bank & Trust from the former CEO and certain senior officers of that subsidiary.

FORWARD-LOOKING INFORMATION

Statements in Management's Discussion and Analysis that are not based on historical data are forward-looking, including, for example, the projected performance of the Company and its operations. These statements constitute forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from the projections discussed in Management's Discussion and Analysis since such projections involve significant risks and uncertainties. Factors that might cause such differences include, but are not limited to: the timing of closing proposed acquisitions being delayed or such acquisitions being prohibited; competitive pressures among financial institutions increasing significantly; economic conditions, either nationally or locally in areas in which the Company conducts its operations, being less favorable than expected; and legislation or regulatory changes which adversely affect the Company's operations or business. The Company disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

The following consolidated condensed statements of income present earnings and operating cash earnings information:

<i>(Amounts in millions)</i>	2001	2000	1999	1998	1997
Net interest income	\$ 949.8	\$ 803.4	\$ 741.5	\$ 573.9	\$ 369.6
Noninterest income ²	418.7	289.1	266.5	210.1	148.3
Total revenue	1,368.5	1,092.5	1,008.0	784.0	517.9
Provision for loan losses	73.2	31.8	17.9	14.0	5.9
Noninterest expense ¹	797.5	638.2	617.9	486.8	305.1
Pretax cash earnings	497.8	422.5	372.2	283.2	206.9
Income tax expense	168.1	138.7	123.5	88.4	68.6
Minority interest	(7.6)	2.4	5.9	0.4	-
Cash earnings ¹	337.3	281.4	242.8	194.4	138.3
Amortization of goodwill, core deposit and other intangibles	48.8	37.2	36.0	31.7	7.1
Merger-related expense	8.8	45.5	27.7	38.1	0.7
Impairment loss on First Security Corporation common stock	-	96.9	-	-	-
Income tax benefit	(10.3)	(59.0)	(14.0)	(18.8)	(0.9)
Minority interest operating cash adjustment	0.2	0.9	1.0	-	-
Cumulative effect, adoption of FASB Statement No. 133	(7.2)	-	-	-	-
Net income	\$ 283.0	\$ 161.7	\$ 194.1	\$ 143.4	\$ 131.4
Operating cash earnings per share (diluted) ¹	\$ 3.66	\$ 3.23	\$ 2.83	\$ 2.37	\$ 2.03
Net income per share (diluted)	\$ 3.07	\$ 1.86	\$ 2.26	\$ 1.75	\$ 1.92

¹ Before amortization of goodwill, amortization of core deposit and other intangible assets, merger-related expense, and the cumulative effect of adoption of FASB Statement No. 133.

² Excluding impairment loss on First Security Corporation common stock.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders of Zions Bancorporation

We have audited the accompanying consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Zions Bancorporation for the year ended December 31, 1999, were audited by other auditors whose report dated February 7, 2000, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2001 and 2000 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zions Bancorporation and subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Salt Lake City, Utah
January 24, 2002

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001 AND 2000

<i>(In thousands, except share amounts)</i>	2001	2000
ASSETS		
Cash and due from banks	\$ 978,609	1,047,252
Money market investments:		
Interest-bearing deposits	2,780	3,293
Federal funds sold	57,653	50,426
Security resell agreements	222,147	456,404
Investment securities:		
Held to maturity, at cost (approximate market value \$79,752 and \$3,152,740)	79,546	3,125,433
Available for sale, at market (includes \$0 and \$151,424 transferred as collateral under repurchase agreements)	3,283,915	782,466
Trading account, at market (includes \$87,612 and \$15,096 transferred as collateral under repurchase agreements)	102,896	280,410
	<u>3,466,357</u>	<u>4,188,309</u>
Loans:		
Loans held for sale	297,959	181,159
Loans, leases and other receivables	17,115,485	14,276,999
	<u>17,413,444</u>	<u>14,458,158</u>
Less:		
Unearned income and fees, net of related costs	102,606	80,125
Allowance for loan losses	260,483	195,535
Net loans	<u>17,050,355</u>	<u>14,182,498</u>
Premises and equipment, net	368,076	314,938
Goodwill	770,763	571,365
Core deposit and other intangibles	109,148	70,075
Other real estate owned	10,302	9,574
Other assets	1,267,974	1,045,309
	<u>\$ 24,304,164</u>	<u>21,939,443</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 4,480,669	3,585,672
Interest-bearing:		
Savings and money market	9,507,817	8,270,122
Time under \$100,000	2,055,087	1,628,890
Time \$100,000 and over	1,664,829	1,448,905
Foreign	133,288	136,394
	<u>17,841,690</u>	<u>15,069,983</u>
Securities sold, not yet purchased	87,255	291,102
Federal funds purchased	1,203,764	1,069,124
Security repurchase agreements	933,973	1,327,721
Accrued liabilities	428,225	310,287
Commercial paper	309,000	198,239
Federal Home Loan Bank advances and other borrowings:		
One year or less	181,266	1,290,960
Over one year	240,458	143,776
Long-term debt	781,342	419,550
Total liabilities	<u>22,006,973</u>	<u>20,120,742</u>
Minority interest	16,322	39,857
Shareholders' equity:		
Capital stock:		
Preferred stock, without par value; authorized 3,000,000 shares; issued and outstanding, none	-	-
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding, 92,208,736 shares and 87,100,188 shares	1,111,214	907,604
Accumulated other comprehensive income (loss)	59,951	(3,644)
Retained earnings	1,109,704	874,884
Total shareholders' equity	<u>2,280,869</u>	<u>1,778,844</u>
	<u>\$ 24,304,164</u>	<u>21,939,443</u>

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(In thousands, except per share amounts)

	2001	2000	1999
INTEREST INCOME:			
Interest and fees on loans	\$ 1,292,955	1,236,588	1,001,741
Interest on loans held for sale	13,080	14,477	12,194
Lease financing	22,805	17,222	13,293
Interest on money market investments	34,911	67,353	67,234
Interest on securities:			
Held to maturity - taxable	3,361	196,917	175,701
Held to maturity - nontaxable	-	16,398	18,784
Available for sale - taxable	169,224	33,792	36,480
Available for sale - nontaxable	24,713	7,147	3,844
Trading account	30,903	36,289	30,067
Total interest income	1,591,952	1,626,183	1,359,338
INTEREST EXPENSE:			
Interest on savings and money market deposits	251,570	329,373	247,729
Interest on time and foreign deposits	187,712	174,460	166,749
Interest on borrowed funds	202,881	318,972	203,371
Total interest expense	642,163	822,805	617,849
Net interest income	949,789	803,378	741,489
Provision for loan losses	73,191	31,811	17,936
Net interest income after provision for loan losses	876,598	771,567	723,533
NONINTEREST INCOME:			
Service charges on deposit accounts	101,033	78,269	76,756
Loan sales and servicing income	96,754	51,741	40,516
Other service charges, commissions, and fees	78,368	65,102	66,098
Trust income	18,298	18,205	15,762
Income from securities conduit	12,262	213	-
Underwriting and trading income	18,520	10,065	11,551
Investment securities gains (losses), net	18,294	14,804	(2,970)
Impairment loss on First Security Corporation common stock	-	(96,911)	-
Other	75,177	50,676	58,832
Total noninterest income	418,706	192,164	266,545
NONINTEREST EXPENSE:			
Salaries and employee benefits	441,450	348,293	346,710
Occupancy, net	64,089	51,671	49,393
Furniture and equipment	61,141	52,704	45,477
Other real estate expense (income)	2,376	356	(66)
Legal and professional services	32,025	19,707	16,156
Supplies	14,764	10,972	11,168
Postage	13,101	10,916	11,656
Advertising	22,784	25,416	18,502
Merger-related expense	8,791	45,492	27,691
FDIC premiums	3,198	3,349	2,152
Amortization of goodwill	33,206	25,715	24,295
Amortization of core deposit and other intangibles	15,592	11,508	11,713
Other	142,606	114,728	116,720
Total noninterest expense	855,123	720,827	681,567
Income before income taxes	440,181	242,904	308,511
Income taxes	157,800	79,661	109,498
Income before minority interest and cumulative effect of change in accounting principle	282,381	163,243	199,013
Minority interest	(7,798)	1,534	4,949
Income before cumulative effect of change in accounting principle	290,179	161,709	194,064
Cumulative effect of change in accounting principle, adoption of FASB Statement No. 133, net of income tax benefit of \$4,521	(7,159)	-	-
Net income	\$ 283,020	161,709	194,064

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

<i>(In thousands, except per share amounts)</i>	2001	2000	1999
Weighted average common shares outstanding during the year:			
Basic	91,202	86,320	84,613
Diluted	92,174	87,120	85,695
Net income per common share:			
Income before cumulative effect of change in accounting principle:			
Basic	\$ 3.18	1.87	2.29
Diluted	\$ 3.15	1.86	2.26
Cumulative effect of change in accounting principle, adoption of FASB Statement No. 133:			
Basic	(0.08)	-	-
Diluted	(0.08)	-	-
Net income:			
Basic	\$ 3.10	1.87	2.29
Diluted	\$ 3.07	1.86	2.26

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(In thousands, except share amounts)	Common stock		Accumulated other comprehensive income (loss)		Subtotal	Retained earnings	Total shareholders' equity
	Shares	Amount	Net unrealized gains (losses) on investments and retained interests	Net unrealized gains on derivative instruments			
BALANCE, DECEMBER 31, 1998	83,554,630	\$ 796,519	(3,407)	-	(3,407)	659,519	1,452,631
Comprehensive income:							
Net income						194,064	194,064
Other comprehensive loss, net of tax:							
Net realized and unrealized holding losses during the year, net of income tax benefit of \$5,405			(8,726)	-	(8,726)		
Reclassification for net realized losses recorded in operations, net of income tax benefit of \$4,940			7,975	-	7,975		
Other comprehensive loss			(751)	-	(751)		(751)
Total comprehensive income							193,313
Cash dividends:							
Common, \$.72 per share						(56,914)	(56,914)
Stock dividend of acquired company	107	21,694				(21,701)	(7)
Issuance of common shares for acquisitions	1,571,143	58,358				797	59,155
Stock redeemed and retired	(115,769)	(6,650)					(6,650)
Stock options exercised, net of shares tendered and retired	582,532	18,310					18,310
BALANCE, DECEMBER 31, 1999	85,592,643	888,231	(4,158)	-	(4,158)	775,765	1,659,838
Comprehensive income:							
Net income						161,709	161,709
Other comprehensive income, net of tax:							
Net realized and unrealized holding losses during the year, net of income tax benefit of \$31,088			(50,187)	-	(50,187)		
Reclassification for net realized losses recorded in operations, net of income tax benefit of \$31,406			50,701	-	50,701		
Other comprehensive income			514	-	514		514
Total comprehensive income							162,223
Cash dividends:							
Common, \$.89 per share						(76,762)	(76,762)
Issuance of common shares for acquisitions	1,202,593	13,103				14,172	27,275
Stock redeemed and retired	(80,174)	(3,899)					(3,899)
Stock options exercised, net of shares tendered and retired	385,126	10,169					10,169
BALANCE, DECEMBER 31, 2000	87,100,188	907,604	(3,644)	-	(3,644)	874,884	1,778,844

ZIDNS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (CONTINUED)

YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(In thousands, except share amounts)	Common stock		Accumulated other comprehensive income (loss)		Subtotal	Retained earnings	Total shareholders' equity
			Net unrealized gains (losses) on investments and retained interests	Net unrealized gains on derivative instruments			
	Shares	Amount					
Comprehensive income:							
Net income		\$				283,020	283,020
Other comprehensive income, net of tax:							
Net realized and unrealized holding gains during the year, net of income tax expense of \$20,859			33,675	-	33,675		
Reclassification for net realized gains recorded in operations, net of income tax expense of \$7,132			(11,516)	-	(11,516)		
Change in net unrealized gains on derivative instruments, net of reclassification to operations of \$20,757 and income tax expense of \$4,281			-	6,911	6,911		
Cumulative effect of change in accounting principle, adoption of FASB Statement No. 133, net of income tax expense of \$21,245			13,259	21,266	34,525		
Other comprehensive income			35,418	28,177	63,595		63,595
Total comprehensive income							346,615
Cash dividends:							
Common, \$.80 per share						(73,899)	(73,899)
Issuance of common shares for acquisitions	5,404,872	231,295				25,699	256,994
Stock redeemed and retired	(883,240)	(46,462)					(46,462)
Stock options exercised, net of shares tendered and retired	586,916	18,777					18,777
BALANCE, DECEMBER 31, 2001	92,208,736	\$ 1,111,214	31,774	28,177	59,951	1,109,704	2,280,869

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(In thousands)	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 283,020	161,709	194,064
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle, adoption of FASB Statement No. 133	7,159	-	-
Provision for loan losses	73,191	31,811	17,956
Depreciation of premises and equipment	56,076	50,186	39,155
Amortization	63,538	64,786	51,367
Accretion of unearned income and fees, net of related costs	15,412	16,983	18,437
Income (loss) to minority interest	(7,798)	1,534	4,949
Proceeds from sales of trading account securities	202,892,909	184,357,455	188,710,001
Increase in trading account securities	(202,281,198)	(184,310,020)	(188,845,991)
Investment securities losses (gains), net	(18,294)	(14,804)	2,970
Impairment loss on First Security Corporation common stock	-	96,911	-
Proceeds from loans held for sale	609,576	533,285	878,638
Increase in loans held for sale	(726,376)	(509,644)	(852,309)
Net gains on sales of loans, leases and other assets	(69,702)	(36,240)	(31,674)
Net losses (gains) on other nonmarketable equity securities	(20,068)	4,801	(44,943)
Change in accrued income taxes	20,911	30,078	4,792
Change in accrued interest receivable	(1,329)	(34,447)	(15,457)
Change in other assets	(104,498)	(122,577)	(58,303)
Change in other liabilities	46,758	16,222	(74,454)
Change in accrued interest payable	(12,475)	11,342	201
Other, net	16,565	(164)	22,238
Net cash provided by operating activities	843,377	349,187	21,637
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in money market investments	377,387	(348)	135,386
Proceeds from maturities of investment securities held to maturity	12,964	881,175	804,139
Purchases of investment securities held to maturity	(29,347)	(663,948)	(1,360,049)
Proceeds from sales of investment securities available for sale	7,072,531	1,245,192	367,345
Proceeds from maturities of investment securities available for sale	2,591,160	134,785	353,714
Purchases of investment securities available for sale	(9,067,706)	(1,442,094)	(652,017)
Proceeds from sales of loans and leases	1,753,195	1,175,687	1,005,530
Net increase in loans and leases	(3,250,280)	(2,665,154)	(2,469,077)
Payments on leveraged leases	(8,012)	(8,125)	(8,118)
Principal collections on leveraged leases	8,012	8,125	8,118
Proceeds from sales of premises and equipment	13,056	12,079	17,441
Purchases of premises and equipment	(91,924)	(82,288)	(93,769)
Proceeds from sales of other assets	23,431	13,927	7,892
Net cash received for acquisitions	209,509	11,886	8,847
Net cash used in investing activities	(386,024)	(1,379,101)	(1,874,618)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	747,218	784,806	(365,695)
Net change in short-term funds borrowed	(1,511,725)	470,771	2,193,152
Proceeds from FHLB advances over one year	250,000	600,000	365,000
Payments on FHLB advances over one year	(173,948)	(568,846)	(309,755)
Proceeds from issuance of long-term debt	402,218	-	-
Payments on long-term debt	(69,152)	(33,921)	(264)
Cash paid to reacquire minority interest	(66,044)	-	-
Proceeds from issuance of common stock	15,798	6,717	9,753
Payments to redeem common stock	(46,462)	(3,899)	(6,650)
Dividends paid	(73,899)	(76,762)	(56,914)
Net cash provided by (used in) financing activities	(525,996)	1,178,866	1,828,627
Net increase (decrease) in cash and due from banks	(68,643)	148,952	(24,354)
Cash and due from banks at beginning of year	1,047,252	898,300	922,654
Cash and due from banks at end of year	\$ 978,609	1,047,252	898,300

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(In thousands)	2001	2000	1999
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for:			
Interest	\$ 651,083	812,018	617,610
Income taxes	156,307	63,825	28,300
Loans transferred to other real estate owned	23,175	13,872	11,282

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

Zions Bancorporation ("the Parent") is a financial holding company organized under the laws of Utah in 1955, which provides a full range of banking and related services through its subsidiaries operating primarily in Utah, Idaho, California, Nevada, Arizona, Colorado and Washington.

BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of Zions Bancorporation and its subsidiaries ("the Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current financial statement presentation.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and prevailing practices within the financial services industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates.

SECURITY RESELL AGREEMENTS

Security resell agreements represent overnight and term agreements, the majority maturing within 30 days. These agreements are generally treated as collateralized financing transactions and are carried at amounts at which the securities were acquired plus accrued interest. Either the Company or, in some instances, third parties on behalf of the Company take possession of the underlying securities. The market value of such securities is monitored throughout the contract term to ensure that asset values remain sufficient to protect against counterparty default. The Company is permitted by contract to sell or repledge certain securities it accepts as collateral for security resell agreements. If sold, the Company's obligation to return the collateral is recorded as a liability and included in the consolidated balance sheet as "Securities sold, not yet purchased." As of December 31, 2001, the Company held approximately \$222 million of securities for which it was permitted by contract to sell or repledge. The majority of these securities have been either pledged or otherwise transferred to others in connection with the Company's financing activities, or to satisfy its commitments under short sales. Security resell agreements averaged approximately \$858 million during 2001, and the maximum amount outstanding at any month-end during 2001 was \$1,426 million.

INVESTMENT SECURITIES

The Company classifies its securities according to their purpose and holding period. Gains or losses on the sale of securities are recognized using the specific identification method and recorded in noninterest income.

Held to maturity debt securities are stated at cost, net of unamortized premiums and unaccreted discounts. The Company has the intent and ability to hold such securities until maturity. When Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, issued by the Financial Accounting Standards Board ("FASB"), was adopted on January 1, 2001, the Company transferred substantially all held to maturity securities to either the available for sale or trading categories. See additional discussion in Note 8.

Debt securities that may not be held until maturity and marketable equity securities are classified as available for sale and are reported at fair value, with unrealized gains and losses, after applicable taxes, reported as a component of other comprehensive income. Any declines in the value of debt securities and marketable equity securities that are considered other than temporary are recorded in noninterest income.

Securities acquired for short-term appreciation or other trading purposes are classified as trading securities and are recorded at fair value. Realized and unrealized gains and losses resulting from such fair value adjustments and from recording the results of sales are recorded in trading income.

The market values of available for sale and trading securities are generally based on quoted market prices or dealer quotes. If a quoted market price is not available, market value is estimated using quoted market prices for similar securities.

NONMARKETABLE SECURITIES

Nonmarketable securities are included in other assets on the Company's balance sheet. Nonmarketable securities include certain venture capital securities and securities acquired for various debt and regulatory requirements. Nonmarketable venture capital securities are reported at estimated fair values, in the absence of readily ascertainable market values. Changes in fair value and gains and losses from sales are recognized in noninterest income. The values assigned to the securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Such estimated amounts depend on future circumstances and will not be realized until the individual securities are liquidated. The valuation procedures applied include consideration of economic and market conditions, current and projected financial performance of the investee company, and the investee company's management team. Management believes that the cost of an investment is initially considered the best indication of estimated fair value unless there have been significant subsequent positive or negative developments that justify an adjustment in the fair value estimate. Other nonmarketable securities acquired for various debt and regulatory requirements are accounted for at cost.

LOANS

Loans are reported at the principal amount outstanding, net of unearned income. Unearned income, which includes deferred fees net of deferred direct incremental loan origination costs, is amortized to interest income generally over the life of the loan using principally the interest method.

Loans held for sale are carried at the lower of cost or market value. Gains and losses are recorded in noninterest income, based on the difference between sales proceeds and carrying value.

NONACCRUAL LOANS

Loans are generally placed on a nonaccrual status when principal or interest is past due 90 days or more unless the loan is both well secured and in the process of collection or when, in the opinion of management, full collection of principal or interest is unlikely. Generally, consumer loans are not placed on nonaccrual status, inasmuch as they are normally charged off when they become 120 days past due. A loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement or when the loan is both well secured and in the process of collection.

IMPAIRED LOANS

Loans, other than those included in large groups of smaller-balance homogeneous loans, are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. For a loan that has been restructured, the contractual terms of the loan agreement refer to the contractual terms specified by the original loan agreement, not the contractual terms specified by the restructuring agreement.

This assessment for impairment occurs when and while such loans are on nonaccrual, or the loan has been restructured. When a loan has been identified as being impaired, the amount of impairment will be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, the loan's observable market value or the fair value of the collateral (less any selling costs) if the loan is collateral-dependent.

If the measurement of the impaired loan is less than the recorded investment in the loan (including accrued interest, net deferred loan fees or costs and unamortized premium or discount), an impairment is recognized by creating or adjusting an existing allocation of the allowance for loan losses.

RESTRUCTURED LOANS

In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a restructured (accruing) loan. Loans restructured at a rate equal to or greater than that of a new loan with comparable risk at the time the contract is modified may be excluded from the impairment assessment and may cease to be considered impaired loans in the calendar years subsequent to the restructuring if they are not impaired based on the modified terms.

Generally, a nonaccrual loan that is restructured remains on nonaccrual for a period of six months to demonstrate that the borrower can meet the restructured terms. However, performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan.

ALLOWANCE FOR LOAN LOSSES

In analyzing the adequacy of the allowance for loan and lease losses, management utilizes a comprehensive loan grading system to determine risk potential in the portfolio, and considers the results of independent internal credit reviews. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type. Historical loss-experience factors by segment, adjusted for changes in trends and conditions, are used in determining the required allowance for each segment. Historical loss factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific portfolio segment. Other considerations such as volumes and trends of delinquencies, nonaccruals, repossessions and bankruptcies, criticized and classified loan trends, current and anticipated foreclosure losses, new products and policies, economic conditions, and concentrations of credit risk are also considered in establishing the loan loss factors.

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All loans graded substandard or doubtful in the amount of \$500 thousand or more are individually evaluated based on facts and circumstances of the loan and a specific allowance amount may be designated. Specific allowances may also be established for loans in amounts below the specific thresholds when it is determined that the risk differs significantly from factor amounts established for the category.

Although management has allocated a portion of the allowance to specific loan categories using the methods described, the adequacy of the allowance must be considered in its entirety. To mitigate the imprecision in most estimates of expected credit losses, the allocated component of the allowance is supplemented by an unallocated component. This is accomplished by assigning high and low loss ranges for each portfolio segment reflecting management's best estimates of exposure to risk of loss. The unallocated portion of the allowance incorporates management's judgmental determination of the amounts

necessary for subjective factors such as economic uncertainties and concentration risks. Accordingly, the relationship of the unallocated component to the total allowance for loan losses may fluctuate from period to period.

ASSET SECURITIZATION

When the Company sells receivables in securitizations of automobile loans, credit card receivables, home equity loans, small business loans, and nonconforming residential real estate loans, it may retain a cash reserve account, an interest-only strip, and in some cases a subordinated tranche, all of which are retained interests in the securitized receivables. Gain or loss on sale of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer. Quoted market prices are generally not available for retained interests. To obtain fair values, the Company estimates the present value of future expected cash flows using management's best judgment of key assumptions, including credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved.

DERIVATIVE INSTRUMENTS

The Company enters into a variety of derivative instruments including interest rate exchange contracts (swaps), cap agreements, and spread maintenance agreements, as part of its overall asset and liability duration and interest rate risk management strategy. The objective of these instruments is to match estimated repricing periods of interest-sensitive assets and liabilities in order to reduce interest rate exposure and/or manage desired asset and liability duration. The Company also enters into foreign exchange derivative instruments primarily as an accommodation to customers. When FASB Statement No. 133 was adopted on January 1, 2001, the Company modified its accounting for derivative instruments and now records all derivatives at fair value as either other assets or accrued liabilities in the balance sheet. See further discussion in Note 8.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation, computed on the straight-line method, is charged to operations over the estimated useful lives of the properties. Leasehold improvements are amortized over the terms of respective leases or the estimated useful lives of the improvements, whichever are shorter.

GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Goodwill results from acquisitions made by the Company and represents the excess of the purchase price over the fair value of net assets and other identifiable intangible assets acquired. As further discussed in Note 2, prior to the effective date of FASB Statement No. 142, substantially all of the Company's goodwill was amortized using the straight-line method over 25 years. Core deposit assets and other intangibles are generally amortized on an accelerated basis using an estimated useful life up to 10 years.

The Company will continue to review goodwill and its intangible assets periodically for other-than-temporary impairment. If such impairment is indicated, recoverability of the asset will be based on the specified impairment tests included in Statement No. 142.

COMMITMENTS AND LETTERS OF CREDIT

In the ordinary course of business, the Company enters into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are only recorded in the consolidated financial statements when they become payable. The credit risk associated with these commitments, when indistinguishable from the underlying funded loan, is considered in management's determination of the allowance for possible losses.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

NET INCOME PER COMMON SHARE

Diluted net income per common share is based on the weighted average outstanding common shares during each year, including common stock equivalents. Basic net income per common share is based on the weighted average outstanding common shares during each year.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*.

Statement No. 141 supersedes certain previous accounting guidance on business combinations, and eliminates the pooling-of-interest method of accounting unless the business combination was initiated prior to July 1, 2001. Certain changes were also made to the criteria used to recognize intangible assets apart from goodwill. The Statement is effective for the Company for any business combination completed after June 30, 2001.

Statement No. 142 also supersedes certain previous accounting rules for the amortization of goodwill and intangible assets. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized, but will be subject to specified annual impairment tests. Other intangible assets will continue to be amortized over their useful lives. This Statement will be effective for the Company beginning January 1, 2002. Until the Statement is adopted, transition rules provide for amortization of goodwill and intangible assets acquired before July 1, 2001.

Application of the nonamortization provisions of Statement No. 142 is estimated to increase net income by approximately \$34 million (\$0.36 per diluted share) per year. Also, beginning in 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite-lived intangible assets as of January 1, 2002, and has not yet determined what effect the results of these tests will have on the Company's operations and financial position.

3. MERGERS AND ACQUISITIONS ACTIVITY

Although not significant to the Company's results of operations, financial position, or liquidity, either individually or in the aggregate, the Company made the following acquisitions in 2001 subsequent to June 30, 2001:

In November 2001, the Company acquired Minnequa Bancorp ("Minnequa"), Pueblo, Colorado, and its banking subsidiary, Minnequa Bank of Pueblo, for \$43.6 million, consisting of \$19.6 million cash and approximately 508 thousand shares of the Company's common stock. Minnequa had assets of approximately \$336 million, total deposits of approximately \$314 million, and five banking offices. Minnequa Bank of Pueblo was merged with and into the Company's subsidiary, Vectra Bank Colorado. Goodwill amounted to approximately \$21.8 million.

In July 2001, the Company acquired Internet Commerce Express, Inc., Nashua, New Hampshire; ThinkXML, Inc., Rockville, Maryland; and Frontier Technologies Corporation (asset purchase only), Mequon, Wisconsin. Consideration of \$55.0 million consisted of \$48.5 million cash and approximately 100 thousand shares of the Company's common stock. Goodwill amounted to approximately \$35.8 million. These companies provide e-commerce solutions. They were subsequently merged into Internet Commerce Express, Inc., and in October 2001 the name was changed to Lexign, Inc.

Prior to July 1, 2001, the Company made the following acquisitions:

In April 2001, the Company acquired nine Arizona branches of Pacific Century Bank, a subsidiary of Pacific Century Financial Corporation. The Company purchased approximately \$231 million in loans, assumed approximately \$447 million in deposits, acquired branch facilities with accompanying personnel and received cash to satisfy assumed deposits. Goodwill and core deposit intangibles amounted to approximately \$48.3 million.

On March 30, 2001, the Company acquired Eldorado Bancshares, Inc. ("Eldorado"), based in Laguna Hills, California, and its banking subsidiaries, Eldorado Bank and Antelope Valley Bank. Consideration consisted of 3.3 million shares of the Company's common stock. Eldorado had assets of approximately \$1.3 billion and shareholders' equity of approximately \$128 million. The acquisition was accounted for as a purchase, and accordingly, the Company's financial statements reflect combined operations from the date of acquisition. Goodwill amounted to approximately \$105.7 million. The pro forma effect on prior period results of operations was not significant.

In January 2001, the Company acquired Draper Bancorp, based in Draper, Utah, and its banking subsidiary, Draper Bank, in exchange for approximately 1.4 million shares of the Company's common stock. Draper Bancorp had assets of approximately \$242 million and shareholders' equity of approximately \$26 million. The acquisition was accounted for as a pooling of interests and was not considered material to the historical results of the Company and, accordingly, the Company's financial statements were not restated.

On July 28, 2000, the Company completed the acquisition of County Bank, headquartered in Prescott, Arizona, in exchange for approximately 1.1 million shares of the Company's common stock. County Bank had assets of approximately \$247 million and total shareholders' equity of \$23 million. The acquisition was accounted for as a pooling of interests and was not considered material to the historical results of the Company and, accordingly, the Company's financial statements were not restated.

On October 5, 1999, the Company acquired all of the outstanding shares of Regency Bancorp ("Regency"), a bank holding company headquartered in Fresno, California, in exchange for approximately one million shares of the Company's common stock. The acquisition was accounted for as a purchase and, accordingly, the Company's financial statements reflect combined operations from the date of acquisition. Goodwill amounted to approximately \$33 million. The pro forma effect on prior period results of operations was not significant.

On October 15, 1999, the Company completed its acquisition of Pioneer Bancorporation ("Pioneer"), located in Reno, Nevada, resulting in the issuance of approximately 5.4 million shares of the Company's common stock for all the outstanding shares of Pioneer common stock in a tax-free exchange. The acquisition of Pioneer was accounted for as a pooling of interests and, accordingly, financial information for all periods presented prior to the date of acquisition was restated to present the combined financial condition and results of operations as if the acquisition had been in effect for all such periods. At September 30, 1999, Pioneer had assets of approximately \$1 billion, net loans of \$675 million, deposits of \$941 million, shareholders' equity of \$73 million, and net income for the nine months applicable to common shareholders of \$10.6 million.

Merger-related expenses for 2001, 2000 and 1999 are as follows (in thousands):

	2001	2000	1999
Severance and other employee benefits	\$ 3,954	6,206	12,363
Equipment and occupancy expense	588	5,057	1,722
Integration of business operations	2,372	9,674	451
Integration of information systems	1,250	6,232	3,403
Legal and other professional fees	446	12,815	4,810
Other integration costs	181	5,508	4,942
	<u>\$ 8,791</u>	<u>45,492</u>	<u>27,691</u>

On June 6, 1999, the Company entered into a definitive Agreement and Plan of Merger (the "Agreement"), with First Security Corporation. First Security Corporation's stockholders unilaterally approved an alternate structure for the transaction at a meeting held on March 22, 2000. In a special meeting of shareholders held on March 31, 2000, the Company's shareholders declined to adopt the Agreement and the Company was notified the next day by First Security Corporation that it was terminating the Agreement. Included in merger-related expenses for 2000 are approximately \$40.5 million of pretax merger expenses related to the termination of the merger and related disengagement. Also included in results of operations for 2000 are a pretax impairment loss on First Security Corporation common stock of \$96.9 million recognized during the first quarter of the year and gains from the subsequent sale of the common stock of \$23.6 million.

4. INVESTMENT SECURITIES

Investment securities as of December 31, 2001 are summarized as follows (*in thousands*):

	Held to maturity			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Mortgage-backed securities	\$ 79,546	1,030	824	79,752
	\$ 79,546	1,030	824	79,752
	Available for sale			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
U.S. Treasury securities	\$ 61,212	2,225	1	63,436
U.S. government agencies and corporations:				
Small Business Administration loan-backed securities	673,500	3,223	2,658	674,065
Other agency securities	768,947	12,848	797	780,998
States and political subdivisions	505,188	10,521	2,161	513,548
Mortgage/asset-backed and other debt securities	960,090	12,385	3,973	968,502
	2,968,937	41,202	9,590	3,000,549
Equity securities:				
Mutual funds:				
Accessor Funds, Inc.	265,684	1,462	36	267,110
Stock	10,100	7,411	1,255	16,256
	\$ 3,244,721	50,075	10,881	3,283,915

Investment securities as of December 31, 2000 are summarized as follows (in thousands):

	Held to maturity			Estimated market value
	Amortized cost	Gross unrealized gains	Gross unrealized losses	
U.S. Treasury securities	\$ 1,145	14	2	1,157
U.S. government agencies and corporations:				
Small Business Administration loan-backed securities	560,328	6,644	3,816	563,156
Other agency securities	1,268,763	24,732	8,350	1,285,145
States and political subdivisions	292,521	4,357	1,127	295,751
Mortgage-backed securities	1,002,676	7,119	2,264	1,007,531
	<u>\$ 3,125,433</u>	<u>42,866</u>	<u>15,559</u>	<u>3,152,740</u>

	Available for sale			Estimated market value
	Amortized cost	Gross unrealized gains	Gross unrealized losses	
U.S. Treasury securities	\$ 51,036	1,566	43	52,559
U.S. government agencies and corporations	93,924	353	403	93,874
States and political subdivisions	184,714	5,842	435	190,121
Mortgage/asset-backed and other debt securities	274,307	447	1,725	273,029
	<u>603,981</u>	<u>8,208</u>	<u>2,606</u>	<u>609,583</u>
Equity securities:				
Mutual funds:				
Accessor Funds, Inc.	159,264	1,245	798	159,711
Stock	17,417	4,810	9,055	13,172
	<u>\$ 780,662</u>	<u>14,263</u>	<u>12,459</u>	<u>782,466</u>

The amortized cost and estimated market value of investment securities as of December 31, 2001 by contractual maturity, excluding equity securities, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands):

	Held to maturity		Available for sale	
	Amortized cost	Estimated market value	Amortized cost	Estimated market value
Due in one year or less	\$ -	-	549,668	555,020
Due after one year through five years	-	-	988,750	1,003,251
Due after five years through ten years	-	-	700,620	710,345
Due after ten years	79,546	79,752	729,899	731,933
	<u>\$ 79,546</u>	<u>79,752</u>	<u>2,968,937</u>	<u>3,000,549</u>

Gross gains and losses of \$31.7 million and \$13.4 million in 2001, \$27.5 million and \$12.7 million in 2000, and \$2.4 million and \$5.4 million in 1999, were recognized in "Investment securities gains (losses), net" on sales and write-downs of investment securities. The Company also recognized a pretax impairment loss of \$96.9 million in 2000 on a write-down of First Security Corporation common stock.

Net gains (losses) from securities held by the Company's venture capital subsidiaries, and included in other noninterest income, were \$(30.1) million in 2001, \$0.9 million in 2000 and \$42.6 million in 1999. Consolidated net income includes net losses of approximately \$20.3 million in 2001 and \$1.5 million in 2000, and net income of approximately \$22.9 million in 1999 from the Company's venture capital subsidiaries.

As of December 31, 2001 and 2000, securities with an amortized cost of \$1,721 million and \$2,130 million, respectively, were pledged to secure public and trust deposits, advances, and for other purposes as required by law.

5. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are summarized as follows at December 31 (*in thousands*):

	2001	2000
Loans held for sale	\$ 297,959	181,159
Commercial, financial, and agricultural	4,109,567	3,614,977
Real estate:		
Construction	2,935,636	2,273,191
Other	8,695,185	7,363,070
Consumer	832,870	607,079
Lease financing	421,519	317,292
Foreign	13,770	26,263
Other receivables	106,938	75,127
	<u>\$ 17,413,444</u>	<u>14,458,158</u>

As of December 31, 2001 and 2000, loans with a carrying value of \$1,732 million and \$1,426 million, respectively, were pledged as security for Federal Home Loan Bank advances.

The carrying value of loans held for sale and sold was \$610 million in 2001, \$533 million in 2000, and \$879 million in 1999. Income from loans sold, excluding servicing, of both loans held for sale and loan securitizations was \$80.3 million in 2001, \$40.5 million in 2000, and \$24.2 million in 1999.

Changes in the allowance for loan losses are summarized as follows (*in thousands*):

	2001	2000	1999
Balance at beginning of year	\$ 195,535	204,114	212,557
Allowance for loan losses of companies acquired	30,178	1,961	2,623
Additions:			
Provision for loan losses	73,191	31,811	17,956
Recoveries	16,139	10,290	16,544
Deductions:			
Loan charge-offs	(54,560)	(52,641)	(45,566)
Balance at end of year	<u>\$ 260,483</u>	<u>195,535</u>	<u>204,114</u>

The Company's total recorded investment in impaired loans was \$80 million and \$46 million at December 31, 2001 and 2000, respectively. Impaired loans of \$20 million and \$16 million at December 31, 2001 and 2000 required an allowance of \$18 million and \$10 million, respectively, which is included in the allowance for loan losses. Contractual interest due and interest foregone on impaired loans were \$12.0 million and \$5.9 million, respectively, for 2001, \$9.1 million and \$6.7 million, respectively, for 2000, and \$5.3 million and \$3.2 million, respectively, for 1999. The average recorded investment in impaired loans was \$61 million in 2001, \$57 million in 2000, and \$27 million in 1999.

At December 31, 2001, the allowance for loan losses includes an allocation of \$8 million related to commitments to extend credit for which the Company could separate the credit risk from that of any related loans on the balance sheet and for standby letters of credit.

6. CONCENTRATIONS OF CREDIT RISK

Credit risk includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. Concentrations of credit risk from financial instruments (whether on- or off-balance sheet) occur when groups of customers or counterparties having similar economic characteristics are unable to meet contractual obligations when similarly affected by changes in economic or other conditions. The Company limits its exposure to any individual customer or counterparty.

Most of the Company's business activity is with customers located in the states of Utah, Idaho, California, Nevada, Arizona, Colorado, and Washington. The commercial loan portfolio is well diversified, consisting of 11 major industry classification groupings. As of December 31, 2001, the larger concentrations of risk in the commercial loan and leasing portfolio are represented by the real estate, construction, business services and transportation industry groupings. The Company has minimal credit exposure from lending transactions with highly leveraged entities.

7. ASSET SECURITIZATIONS

The provisions of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, relating to the recognition and reclassification of collateral, as well as the disclosures relating to collateral and securitization transactions, became effective for the Company as of December 31, 2000. Other provisions related to the transfer and servicing of financial assets and extinguishments of liabilities became effective for transactions occurring after March 31, 2001.

During 2001 and 2000, the Company sold for cash to revolving securitization structures \$206 million and \$164 million of auto loans, \$259 million and \$169 million of credit card receivables, and \$308 million and \$248 million of home equity loans. New loans or receivable balances are sold monthly into the revolving securitization facilities. The Company retains servicing responsibilities and receives servicing fees, which on an annualized basis approximate 1% of the outstanding loan balances for the auto loans, 2% for the credit card receivables, and 0.5% for the home equity loans.

The Company also has rights to future cash flows arising after the investors in the securitizations have received the return for which they contracted, and after administrative and other expenses have been paid. The Company retains subordinated tranche interests or cash reserve accounts that serve as credit enhancements on the securitizations. The Company's retained interests are subordinate to the investors' interests. The investors and the securitization vehicles have no recourse to the Company's other assets for failure of debtors to pay when due. The Company's retained interests are subject to credit, prepayment, and interest rate risks on the transferred loans and receivables. The Company recognized pretax gains in 2001 and 2000 from these securitizations of \$8.7 million and \$3.1 million for the auto loans, \$6.6 million and \$5.6 million for the credit card receivables, and \$5.6 million and \$5.0 million for the home equity loans.

Also during 2001 and 2000, the Company sold \$447 million and \$494 million of Small Business Administration ("SBA") 504 loans to securitization structures. In 2001, the Company also sold \$281 million of nonconforming residential real estate loans (jumbo mortgage loans) to securitization structures. Except for the revolving features, the general characteristics of the securitizations and rights of the Company described above also pertain to these transactions. Annualized servicing fees approximate 1% of the outstanding loan balance for the SBA 504 loans and 0.25% for the jumbo mortgage loans. The Company recognized pretax gains of \$12.1 million in 2001 and \$2.8 million in 2000 for the SBA 504 loans, and \$1.7 million in 2001 for the jumbo mortgage loans.

Key economic assumptions used for measuring the retained interests at the date of securitization for sales during 2001 and 2000 were as follows:

	Automobile loans		Credit card receivables		Home equity loans		SBA 504 loans		Jumbo mortgage loans
	2001	2000	2001	2000	2001	2000	2001	2000	2001
Prepayment method	ABS	ABS	ABS	ABS	ABS	ABS	CPR	CPR	CPR
Annualized prepayment speed	16.2	16.2	5.0	5.0	7.0	4.0	15.0	4, 8, 12 Ramp-up	50.0
Weighted average life (in months)	18	18	3	3	25	33	56-59	67	17
Expected annual net loss rate	1.25 %	1.00 %	4.50 %	4.50 %	0.25 %	0.25 %	0.50 %	0.50 %	0.25 %
Residual cash flows discounted at	15.0 %	12.0 %	15.0 %	12.0 %	15.0 %	12.0 %	15.0 %	12.0 %	15.0 %

For the above securitizations, residual cash flows paid in 2001 and 2000 to the Company's subsidiary, Zions First National Bank ("ZFNB"), from retained interests were \$25.6 million and \$16.6 million for automobile loans, \$7.1 million and \$5.8 million for credit card receivables, \$7.5 million and \$7.7 million for home equity loans, \$6.6 million and \$.4 million for SBA 504 loans, and, in 2001, \$4.0 million for jumbo mortgage loans.

Beginning in 2001, the Company began recognizing interest income on retained interests in securitizations in accordance with the provisions of Emerging Issues Task Force Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets*. Interest income thus recognized on retained interests in securitizations, excluding revolving securitizations, was \$9.2 million in 2001.

In 2001 and 2000, servicing fees on all securitizations were \$12.0 million and \$7.8 million, respectively. All amounts of pretax gains, interest income, and servicing fees are included in loan sales and servicing income.

At December 31, 2001 and 2000, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10% and 20% adverse changes in those assumptions were as follows (in millions of dollars and annualized percentage rates):

	Automobile loans		Credit card receivables		Home equity loans		SBA 504 loans		Jumbo mortgage loans
	2001	2000	2001	2000	2001	2000	2001	2000	2001
Carrying amount/fair value of residual cash flows	\$ 19.5	5.7	0.8	0.9	10.5	14.7	74.3	35.8	7.0
Weighted average life (in months)	18	18	3	3	25	33	56-59	67	17
PREPAYMENT SPEED ASSUMPTION	16	16	5	5	7	4	15	4, 8, 12	50
Decrease in fair value due to adverse change								Ramp-up	
-10%	\$ 0.3	0.1	-	-	0.1	0.1	1.5	1.2	0.6
-20%	\$ 0.7	0.2	-	-	0.2	0.1	2.8	2.3	1.1
EXPECTED CREDIT LOSSES	1.25 %	1.00 %	4.50 %	4.50 %	0.25 %	0.25 %	0.50 %	0.50 %	0.25 %
Decrease in fair value due to adverse change									
-10%	\$ 0.5	0.4	0.1	0.1	0.1	0.2	1.3	1.5	0.1
-20%	\$ 1.0	0.8	0.1	0.1	0.3	0.3	2.7	2.9	0.1
RESIDUAL CASH FLOWS DISCOUNT RATE	15.0 %	12.0 %	15.0 %	12.0 %	15.0 %	12.0 %	15.0 %	12.0 %	15.0 %
Decrease in fair value due to adverse change									
-10%	\$ 0.3	0.1	-	-	0.2	0.2	1.7	1.7	0.1
-20%	\$ 0.5	0.1	-	-	0.3	0.3	3.4	2.9	0.1

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on variations in assumptions cannot be extrapolated, as the relationship of the change in assumption to the change of fair value may not be linear. Also, the effect of a variation in one assumption is in reality, likely to further cause changes in other assumptions, which might magnify or counteract the sensitivities.

As of December 31, 2001 and 2000, the weighted average expected static pool credit losses were 2.14% and 3.33%. Static pool losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets. In 2001, this calculation included the jumbo mortgage loans in addition to the SBA 504 loans.

The following table presents quantitative information about delinquencies and net credit losses. The Company only securitizes loans originated or purchased by ZFNB. Therefore, only loans and related delinquencies and net credit losses of commonly managed ZFNB loans are included (in millions):

Loan Type	Principal balance December 31,		Principal balance of loans past due 30+ days ¹ December 31,		Net credit losses ²	
	2001	2000	2001	2000	2001	2000
Automobile loans	\$ 558.4	506.8	13.2	10.0	6.4	4.1
Credit card receivables	104.7	98.4	4.8	2.3	4.4	3.1
Home equity loans	443.4	365.1	1.3	1.9	0.7	0.1
SBA 504 loans	1,513.3	1,185.2	64.5	29.6	1.5	0.5
Jumbo mortgage loans	261.3	-	3.0	-	-	-
Total loans managed or securitized	2,881.1	2,155.5	86.8	43.8	13.0	7.8
Less loans securitized ³	2,040.9	1,406.1				
Loans held in portfolio	\$ 840.2	749.4				

¹ Loans 30 days or more past due based on end of period total loans.

² Net credit losses are charge-offs net of recoveries and are based on total loans outstanding.

³ Represents the principal amount of the loans. Interest-only strips and other retained interests held for securitized assets are excluded from this table because they are recognized separately.

ZFNB also sponsors an asset-backed commercial paper program through a qualified special purpose entity securities conduit ("conduit"). The conduit issues commercial paper to fund the acquisition of U.S. Government and AAA rated securities from ZFNB. In addition to providing administrative and investment advisory services, ZFNB also provides hedge and liquidity support under contracts between ZFNB and the conduit. Pursuant to the liquidity contract, ZFNB is required to advance funds to the conduit to repay maturing commercial paper upon the conduit's inability to access the commercial paper market or upon commercial paper market disruptions as specified in governing documents to the conduit. Following the events of September 11, which caused disruption in the commercial paper markets, the conduit drew upon the liquidity facility in the amount of \$180 million. Amounts drawn were repaid shortly after the commercial paper markets returned to normal. No amounts were outstanding under this liquidity facility at December 31, 2001 and 2000. At December 31, 2001, the size of this liquidity facility was approximately \$5.1 billion. Income recognized by ZFNB under this arrangement was approximately \$12.3 million in 2001 and \$213 thousand in 2000, as separately reflected in the statements of income. At December 31, 2001 and 2000, the market value of the conduit's securities portfolio was approximately \$2.4 billion and \$1.2 billion, respectively.

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8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

On January 1, 2001, the Company adopted FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Statement No. 133, as amended by Statement Nos. 137 and 138, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities.

As required by the Statement, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable

to a particular risk, such as interest rate risk, are considered fair value hedges under Statement No. 133. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative are recorded in other comprehensive income and recognized in earnings when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows on the derivative hedging instrument with the changes in fair value or cash flows on the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings. On January 1, 2001, all hedging relationships were designated anew by the Company in accordance with the provisions of the Statement.

The Company's objective in using derivatives is to add stability to interest income or expense, to modify the duration of specific assets or liabilities as considered necessary by the Company, and to manage exposure to interest rate movements or other identified risks. To accomplish this objective, the Company uses interest rate swaps as part of its cash flow hedging strategy. During 2001, such derivatives were used to hedge the variable cash flows associated with designated commercial loans. As of December 31, 2001, no derivatives were designated as fair value hedges or hedges of investments in foreign operations; however, during 2001, hedge ineffectiveness of \$4.5 million (a net gain) was recognized in other income from a qualifying fair value hedge of the Company's investment in Concord EFS stock.

Interest rate swap agreements designated as cash flow hedges involve the receipt of fixed-rate amounts in exchange for variable-rate payments over the life of the agreements without exchange of the underlying principal amount. Basis swap agreements designated as cash flow hedges are used in conjunction with certain interest rate swaps and are used to convert the variable rate paid on an interest rate swap to match the variable rate received from a loan. Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements of Statement No. 133.

The adoption of Statement No. 133 resulted in transition adjustments presented as a cumulative effect of a change in accounting principle in the statement of income and in the statement of changes in shareholders' equity and comprehensive income. The transition adjustments relate to the recording of the fair value of derivatives on the balance sheet, and the effect of transferring certain held to maturity investments to either the trading or available for sale categories, as allowed by the Statement's transition provisions. The total amount of held to maturity securities transferred was approximately \$3,074 million.

In the statement of income, the transition adjustments resulted in a reduction to net income of \$7.2 million, consisting of \$.3 million, net of tax benefit of \$.2 million, to record the fair value of derivatives on the balance sheet, and \$6.9 million, net of tax benefit of \$4.3 million, to reclassify certain investment securities. In the statement of changes in shareholders' equity and comprehensive income, the transition adjustments resulted in an increase to accumulated other comprehensive income of \$34.5 million, consisting of \$21.3 million, net of tax expense of \$13.2 million, to record the fair value of derivatives on the balance sheet, and \$13.2 million, net of tax expense of \$8.0 million, to reclassify certain investment securities.

At December 31, 2001, derivatives with a fair value of \$67.1 million were included in other assets and derivatives with a fair value of \$22.1 million were included in accrued liabilities. The change in fair value of derivatives not designated as hedges of \$11.4 million is included in other income in 2001. The change in net unrealized gains of \$6.9 million in 2001 for derivatives designated as cash flow hedges is separately disclosed in the statement of changes in shareholders' equity and comprehensive income. No hedge ineffectiveness on cash flow hedges was recognized during 2001.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest income as interest payments are received on the Company's variable rate loans. The change in net unrealized gains on cash flow hedges discussed above reflects a reclassification of \$20.8 million of net unrealized gains from accumulated other comprehensive income to interest income during 2001. During 2002, the Company estimates that an additional \$28 million will be reclassified.

9. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows at December 31 (*in thousands*):

	2001	2000
Land	\$ 61,976	53,884
Buildings	205,334	166,607
Furniture and equipment	330,032	288,882
Leasehold improvements	75,506	71,160
Total	672,848	580,533
Less accumulated depreciation and amortization	304,772	265,595
Net book value	\$ 368,076	314,938

10. DEPOSITS

At December 31, 2001, the scheduled maturities of all time deposits are as follows (*in thousands*):

2002	\$ 3,094,551
2003	408,865
2004	112,168
2005	55,979
2006 and thereafter	48,353
	<u>\$ 3,719,916</u>

At December 31, 2001, the contractual maturities of time deposits with a denomination of \$100,000 and over were as follows: \$690 million in 3 months or less, \$327 million over 3 months through 6 months, \$431 million over 6 months through 12 months and \$217 million over 12 months.

Deposit overdrafts that have been reclassified as loan balances were \$58 million and \$43 million at December 31, 2001 and 2000, respectively.

11. SHORT-TERM BORROWINGS

Short-term borrowings generally mature in less than 30 days. The following table shows selected information for these borrowings (in thousands):

	2001	2000	1999
Federal funds purchased:			
Average amount outstanding	\$ 1,046,859	851,465	717,085
Weighted average rate	3.74 %	6.12 %	4.91 %
Highest month-end balance	\$ 1,492,262	1,069,124	866,716
Year-end balance	1,203,764	1,069,124	825,997
Weighted average rate on outstandings at year-end	2.17 %	6.28 %	4.69 %
Security repurchase agreements:			
Average amount outstanding	\$ 1,621,539	1,895,421	1,651,514
Weighted average rate	3.50 %	5.68 %	4.44 %
Highest month-end balance	\$ 2,021,895	2,664,768	2,462,928
Year-end balance	933,973	1,327,721	1,366,653
Weighted average rate on outstandings at year-end	1.27 %	5.56 %	4.53 %

The Company participates in overnight and term security repurchase agreements. Certain overnight agreements are performed with sweep accounts in conjunction with a master repurchase agreement. In this case, securities under the Company's control are pledged for and interest is paid on the collected balance of the customers' accounts. For term repurchase agreements, securities are transferred to the applicable counterparty. The counterparty, in certain instances, is contractually entitled to sell or repledge securities accepted as collateral. The carrying amount of such securities is disclosed in the consolidated balance sheet as of December 31, 2001 and 2000.

12. FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

Federal Home Loan Bank ("FHLB") advances and other borrowings over one year are summarized as follows at December 31 (in thousands):

	2001	2000
FHLB advances, 3.90% - 8.32%	\$ 227,958	131,276
SBA notes payable, 5.66% - 8.08%	12,500	12,500
	\$ 240,458	143,776

The weighted average interest rate on FHLB advances outstanding at December 31, 2001 was 5.0 percent.

The FHLB advances are borrowed by Zions First National Bank ("ZFNB") and Vectra Bank Colorado, N.A. ("Vectra"), wholly-owned subsidiaries, under their lines of credit with the Federal Home Loan Banks of Seattle and Topeka, respectively. The lines of credit are secured under a blanket pledge whereby ZFNB and Vectra maintain unencumbered collateral with a carrying amount, which has been adjusted using a pledge requirement percentage based upon the types of collateral pledged, equal to at least 100 percent of outstanding advances.

Interest expense on FHLB advances and other borrowings over one year was \$10.1 million in 2001, \$8.5 million in 2000, and \$4.8 million in 1999.

Maturities of FHLB advances and other borrowings with original maturities over one year are as follows at December 31, 2001 (*in thousands*):

2002	\$	203,008
2003		3,749
2004		2,570
2005		5,833
2006		2,333
Thereafter		22,965
	\$	<u>240,458</u>

13. LONG-TERM DEBT

Long-term debt at December 31 is summarized as follows (*in thousands*):

	2001	2000
Guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures	\$ 218,845	189,575
Subordinated notes:		
Floating rate subordinated notes	510,000	177,000
8.625% subordinated note	49,900	50,000
Capital leases and other notes payable	2,597	2,975
	\$ <u>781,342</u>	<u>419,550</u>

The guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures include \$170.1 million of 8.536 percent debentures issued by Zions Institutional Capital Trust A ("ZICTA"), \$29.3 million of 11.75 percent debentures issued by CSBI Capital Trust I ("CSBICT"), \$17.3 million of 9.50 percent debentures issued by VBC Capital I Trust ("VBCCIT"), and \$2.1 million of 10.25 percent debentures issued by GB Capital Trust ("GBCT").

The ZICTA debentures are direct and unsecured obligations of ZFNB and are subordinate to the claims of depositors and general creditors. The Company has irrevocably and unconditionally guaranteed all of ZFNB's obligations under the debentures. The CSBICT, VBCCIT, and GBCT debentures are direct and unsecured obligations of the Company through the acquisitions of Eldorado Bancshares, Vectra Banking Corporation, and GB Bancorporation, respectively, and are subordinate to other indebtedness and general creditors of the Company. The ZICTA, CSBICT, VBCCIT, and GBCT debentures have the right, with the approval of banking regulators, to early redemption in 2006, 2007, 2002, and 2007, respectively. The ZICTA and GBCT debentures require semiannual interest payments and mature on December 15, 2026 and January 15, 2027, respectively. The CSBICT and VBCCIT debentures require quarterly interest payments and mature on June 6, 2027 and April 30, 2027, respectively.

The floating rate subordinated notes include \$200 million at 6.95 percent issued through Zions Financial Corp., a newly formed subsidiary, and \$200 million at 6.50 percent issued by the Company. Early redemption may occur beginning May 15, 2006 and October 15, 2006, at which time the notes will bear interest at one-month LIBOR plus 2.86 percent and one-month LIBOR plus 3.01 percent through maturity on May 15, 2011 and October 15, 2011, respectively. The notes require semiannual interest payments. The Company unconditionally guarantees the 6.95 percent notes. Also included in floating rate subordinated notes is \$110 million callable in 2003 and due in 2008, with quarterly interest payments at three-month LIBOR plus 70 basis points. The 8.625 percent subordinated note is not redeemable prior to maturity in 2002 and requires semiannual interest payments. All subordinated notes are unsecured.

Interest expense on long-term debt was \$43.7 million in 2001, \$34.2 million in 2000, and \$35.1 million in 1999.

Maturities and sinking fund requirements on long-term debt are as follows for the years succeeding December 31, 2001 (*in thousands*):

	Consolidated	Parent only
2002	\$ 50,309	49,900
2003	448	-
2004	452	-
2005	358	-
2006	291	-
Thereafter	729,484	310,000
	<u>\$ 781,342</u>	<u>359,900</u>

14. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is a party to certain derivative instruments and other financial instruments in the normal course of business to meet the financing needs of its customers, to reduce its own exposure to fluctuations in interest rates, and to make a market in U.S. government, agency, and municipal securities. These financial instruments involve, to varying degrees, elements of credit, liquidity, and interest rate risk in excess of the amount recognized in the balance sheets.

Contractual amounts of the off-balance sheet financial instruments used to meet the financing needs of the Company's customers are as follows (*in thousands*):

	2001	2000
Commitments to extend credit	\$ 6,598,112	6,991,330
Standby letters of credit:		
Performance	66,231	81,607
Financial	148,123	180,826
Commercial letters of credit	26,200	11,831

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing properties.

Establishing commitments to extend credit gives rise to credit risk. As of December 31, 2001, a significant portion of the Company's commitments is expected to expire without being drawn upon; commitments totaling \$4.4 billion expire in 2002. As a result, the Company's actual future credit exposure or liquidity requirements will be lower than the contractual amounts of the commitments. The Company uses the same credit policies and procedures in making commitments to extend credit and conditional obligations as it does for on-balance sheet instruments. These policies and procedures include credit approvals, limits, and monitoring.

Standby and commercial letters of credit are conditional commitments issued by the Company generally to guarantee the performance of a customer to a third party. The guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Standby letters of credit include remaining commitments in the amount of \$165.7 million expiring in 2002 and \$48.7 million expiring thereafter through 2020. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds marketable securities and cash equivalents as collateral supporting those commitments for which collateral is deemed necessary.

The Company uses derivative instruments, including interest rate exchange contracts (swaps), cap agreements, spread maintenance agreements, and forward agreements as part of its overall asset and liability duration and interest rate risk management strategy. These transactions enable the Company to manage asset and liability durations, and transfer, modify, or reduce its interest rate risk. Exposure to credit risk arises from the possibility of nonperformance by counterparties, which are primarily established, well-capitalized financial institutions. The Company controls this credit risk (except futures contracts and interest rate cap contracts written, for which credit risk is de minimus) through credit approvals, limits, and monitoring procedures. No losses associated with counterparty nonperformance on derivative instruments have occurred. Nevertheless, the related credit risk is considered and measured when and where appropriate.

As a market maker in U.S. government, agency, and municipal securities, the Company enters into agreements to purchase and sell such securities. As of December 31, 2001 and 2000, the Company had outstanding commitments to purchase securities of \$82 million and \$299 million, respectively, and outstanding commitments to sell securities of \$81 million and \$181 million, respectively. These agreements at December 31, 2001 have remaining terms of one month or less.

The contractual or notional amount of financial instruments indicates a level of activity associated with a particular class of financial instrument and is not a reflection of the actual level of risk. As of December 31, 2001 and 2000, the regulatory risk-weighted values assigned to all off-balance sheet financial instruments and derivative instruments described herein totaled \$2,075 million and \$1,452 million, respectively.

The Company has \$60.1 million available in lines of credit from two separate institutions, which were unused as of December 31, 2001. Interest rates are LIBOR plus 50 basis points on one line and range from prime plus 1.0 percent to prime less 1.5 percent depending on the amount borrowed on the other line. There are no compensating balance arrangements.

At December 31, 2001, the Company was required to maintain a cash balance of \$40 million with the Federal Reserve Banks to meet minimum balance requirements in accordance with Federal Reserve Board regulations.

The Company is a defendant in various legal proceedings arising in the normal course of business. The Company does not believe that the outcome of any such proceedings will have a material adverse effect on its consolidated financial position, operations, or liquidity.

The Company has commitments for leasing premises and equipment under the terms of noncancelable capital and operating leases expiring from 2002 to 2068. Premises leased under capital leases were recorded at \$14.9 million, net of \$13.1 million accumulated amortization at December 31, 2001. Amortization applicable to premises leased under capital leases is included in depreciation expense. Future aggregate minimum rental payments under existing noncancelable operating leases at December 31, 2001 are as follows (*in thousands*):

2002	\$ 30,529
2003	28,266
2004	25,382
2005	23,405
2006	19,080
Thereafter	96,105
	<u>\$ 222,767</u>

Future aggregate minimum rental payments have been reduced by noncancelable subleases as follows: 2002, \$2.3 million; 2003, \$1.7 million; 2004, \$2.0 million; 2005, \$.8 million; 2006, \$.4 million; and thereafter \$2.1 million. Aggregate rental expense on operating leases amounted to \$47.8 million in 2001, \$40.0 million in 2000, and \$40.3 million in 1999.

15. STOCK OPTIONS AND WARRANTS

The Company adopted a qualified stock option plan in 1981, under which stock options may be granted to key employees, and a nonqualified plan under which options may be granted to nonemployee directors. Under the qualified plan and nonqualified plans, 3,244,000 and 400,000 shares, respectively, of common stock were reserved. Options equal to 2% of the issued and outstanding shares of the Company's common stock as of the first day of the year are automatically reserved for issuance under the qualified plan.

No compensation expense was recorded for the qualified and nonqualified option plans, as the exercise price was equal to the quoted market price of the stock at the time of grant. Under the qualified plan, options are exercisable in increments from one to three years after the date of grant and expire seven years after the date of grant. Options granted previous to 2000 are generally exercisable in increments from one to four years after the date of grant and generally expire six years after the date of grant. Under the nonqualified plan, options are exercisable in increments from six months to three and a half years after the date of grant and expire ten years after the date of grant. At December 31, 2001, there were 1,458,464 and 187,000 additional shares available for grant under the qualified and nonqualified plans, respectively.

The Company has also adopted a broad-based employee stock option plan. Participation in this plan requires employment for a full year prior to the option grant date with service of 20 hours a week or more. However, executive officers of the Company are not eligible to participate in this plan. Stock options are granted to eligible employees based on an internal job grade structure. All options vest at the rate of one third each year with expiration at four years after the date of grant. At December 31, 2001, there were 1,500,000 options authorized with 1,093,352 options outstanding. The plan is noncompensatory and results in no compensation expense recognized by the Company, as the exercise price of the options is equal to the quoted market price of the stock at the option grant date.

Using the Black-Scholes option-pricing model, the per share weighted average fair value of stock options granted during 2001, 2000, and 1999 was \$14.89, \$13.09 and \$19.20, respectively, on the date of grant. The following assumptions were used in 2001, 2000, and 1999: expected dividend yield of 1.5%, expected volatility ranging from 26.6% to 39.4%, risk-free interest rates ranging from 3.1% to 6.8%, and expected life ranging from 2 to 7.5 years.

Had the Company determined compensation cost based on the fair value at the grant date for its stock options under FASB Statement No. 123, the Company's net income and net income per common share would have been reduced to the pro forma amounts indicated below:

	2001	2000	1999
Net income (in thousands):			
As reported	\$ 283,020	161,709	194,064
Pro forma	254,992	145,773	183,689
Net income per common share:			
As reported:			
Basic	\$ 3.10	1.87	2.29
Diluted	3.07	1.86	2.26
Pro forma:			
Basic	2.80	1.69	2.17
Diluted	2.77	1.67	2.14

Pro forma amounts reflect only stock-based compensation on grants made after 1994. The full impact of calculating compensation cost for stock options under Statement No. 123 is not reflected in the pro forma amounts presented above because compensation cost is reflected over the options' vesting period and compensation cost of options granted prior to January 1, 1995 was not considered.

The following table is a summary of the Company's stock option activity and related information for the three years ended December 31, 2001:

	Number of shares	Weighted average exercise price
Balance at December 31, 1998	2,966,601	\$ 29.98
Acquired	64,652	27.26
Granted	1,172,542	65.29
Exercised	(625,537)	20.06
Forfeited	(232,567)	42.32
Balance at December 31, 1999	3,345,691	43.30
Acquired	132,097	11.48
Granted	1,993,961	43.38
Exercised	(409,935)	18.25
Forfeited	(328,223)	51.03
Balance at December 31, 2000	4,733,591	43.98
Acquired	906,845	41.90
Granted	2,090,843	53.28
Exercised	(611,174)	28.04
Forfeited	(655,449)	47.12
Balance at December 31, 2001	6,464,656	47.89
Outstanding options exercisable as of:		
December 31, 2001	3,315,756	44.50
December 31, 2000	1,701,254	36.55
December 31, 1999	1,222,187	26.62

Selected information on stock options as of December 31, 2001 follows:

Outstanding options				Exercisable options	
Exercise price range	Number of shares	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of shares	Weighted average exercise price
\$ 2.37 to \$ 6.91	23,256	\$ 3.78	4.60	23,256	\$ 3.78
\$ 6.92 to \$ 13.83	91,864	12.84	3.40	91,864	12.84
\$ 13.84 to \$ 20.74	158,467	17.15	2.20	151,557	17.17
\$ 20.75 to \$ 27.65	79,902	24.57	3.50	65,047	24.91
\$ 27.66 to \$ 34.56	260,692	30.85	1.70	260,692	30.85
\$ 34.57 to \$ 41.48	67,870	40.98	2.10	63,120	41.05
\$ 41.49 to \$ 48.39	2,447,017	42.68	4.60	1,428,717	42.70
\$ 48.40 to \$ 55.30	2,481,077	52.80	4.80	789,748	51.05
\$ 55.31 to \$ 62.21	109,875	56.60	5.90	7,291	55.77
\$ 62.22 to \$ 69.13	744,636	68.68	3.20	434,464	68.40
	<u>6,464,656</u>	47.89	4.30	<u>3,315,756</u>	44.50

Excluded from the previous schedules showing option activity and options outstanding are options, with exercise prices from \$.10 to \$3.75 per share, to purchase 3,022,954 shares of Digital Signature Trust ("DST") common stock and warrants and commitments to issue warrants, with exercise prices from \$.18 to \$10.00 per share, to purchase 2,440,326 additional shares of DST common stock. DST is a subsidiary of the Company's subsidiary, Zions First National Bank. Also excluded from the previous schedules is a warrant, with an exercise price of \$292,500 per share, to purchase 2.6 shares of stock in the Company's subsidiary, Lexign, Inc. These options, warrants and commitments to issue warrants in DST and Lexign, Inc. are excluded from earnings per share calculations because they are antidilutive. Issued and outstanding shares of DST and Lexign, Inc. common stock were 37,406,485 and 100 respectively, at December 31, 2001.

16. NET INCOME PER COMMON SHARE

Basic and diluted net income per common share, based on the weighted average outstanding shares, are summarized as follows (in thousands, except per share amounts):

	2001	2000	1999
Basic:			
Income before cumulative effect of change in accounting principle	\$ 290,179	161,709	194,064
Less preferred dividends	-	-	34
Income before cumulative effect of change in accounting principle applicable to common stock	290,179	161,709	194,030
Cumulative effect of change in accounting principle	(7,159)	-	-
Net income applicable to common stock	\$ 283,020	161,709	194,030
Average common shares outstanding	91,202	86,320	84,613
Income before cumulative effect of change in accounting principle per share - basic	\$ 3.18	1.87	2.29
Cumulative effect of change in accounting principle per share - basic	(0.08)	-	-
Net income per common share - basic	\$ 3.10	1.87	2.29
Diluted:			
Income before cumulative effect of change in accounting principle applicable to common stock	\$ 290,179	161,709	194,030
Cumulative effect of change in accounting principle	(7,159)	-	-
Net income applicable to common stock	\$ 283,020	161,709	194,030
Average common shares outstanding	91,202	86,320	84,613
Stock option adjustment	972	800	1,082
Average common shares outstanding - diluted	92,174	87,120	85,695
Income before cumulative effect of change in accounting principle per share - diluted	\$ 3.15	1.86	2.26
Cumulative effect of change in accounting principle per share - diluted	(0.08)	-	-
Net income per common share - diluted	\$ 3.07	1.86	2.26

17. SHAREHOLDERS' EQUITY

On April 16, 2001, the Company reacquired the minority interest of its subsidiary, California Bank & Trust ("CB&T"). This minority interest was sold to the management of CB&T and other individuals when the Company's acquisition of The Sumitomo Bank of California was completed in October 1998. One half of the minority interest was sold to the former CEO of CB&T, who was also a director of the Company. The other half was sold to two limited liability companies, which the CEO managed. Members of these limited liability companies include, among others, certain senior officers of CB&T. In accordance with the valuation terms of the minority shareholder agreement entered into in 1998, the Company repurchased the total minority interest for \$66.0 million. On April 1, 2001, the carrying value of this minority interest was \$37.8 million with the difference recorded as a purchase premium.

On April 20, 2001, the Company's shareholders voted to increase the authorized shares of the Company's common stock from 200,000,000 to 350,000,000.

The Company has in place a Shareholder Rights Protection Plan ("Plan") which contains provisions intended to protect shareholders if certain events occur. These events include, but are not limited to, unsolicited offers or attempts to acquire the Company including offers that do not treat all shareholders equally, acquisitions in the open market of shares constituting control without offering fair value to all shareholders, and other coercive or unfair takeover tactics that could impair the Board of Directors' ability to represent shareholders' interests fully. The Plan provides that attached to each share of common stock is one right ("Right") to purchase one one-hundredth of a share of participating preferred stock for an exercise price of \$90, subject to adjustment. The Rights have certain antitakeover effects and may cause substantial dilution to a person who attempts to acquire the Company without the approval of the Board of Directors. The Rights, however, should not affect offers for all outstanding shares of common stock at a fair price and, otherwise, in the best interests of the Company and its shareholders as determined by the Board of Directors. The Board of Directors may, at its option, redeem all, but not fewer than all, of the then outstanding Rights at any time until the 10th business day following a public announcement that a person or a group had acquired beneficial ownership of 10 percent or more of the Company's outstanding common stock or total voting power.

18. INCOME TAXES

Income taxes are summarized as follows (*in thousands*):

	2001	2000	1999
Income taxes before cumulative effect of change in accounting principle:			
Federal:			
Current	\$ 127,721	59,038	46,485
Deferred	5,854	6,342	43,648
State	24,225	14,281	19,365
	<u>157,800</u>	<u>79,661</u>	<u>109,498</u>
Income tax benefit applicable to cumulative effect of change in accounting principle:			
Federal	(3,855)	-	-
State	(666)	-	-
	<u>(4,521)</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>\$ 153,279</u>	<u>79,661</u>	<u>109,498</u>

A reconciliation between income tax expense computed using the statutory federal income tax rate of 35 percent and actual income tax expense is as follows *(in thousands)*:

	2001	2000	1999
Income tax expense at statutory federal rate	\$ 152,809	85,016	107,979
State income taxes, net	15,313	9,283	12,587
Nondeductible expenses	13,015	10,944	11,232
Nontaxable interest	(19,288)	(17,217)	(13,893)
Tax credits and other taxes	(2,056)	(1,874)	(1,819)
Corporate reorganization	(6,416)	(6,416)	(6,416)
Other items	(98)	(75)	(172)
Income tax expense	\$ 153,279	79,661	109,498

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2001 and 2000 are presented below *(in thousands)*:

	2001	2000
Gross deferred tax assets:		
Book loan loss deduction in excess of tax	\$ 100,038	75,388
Postretirement benefits	2,150	1,365
Deferred compensation	10,895	9,862
Deferred loan fees	3,524	1,829
Deferred agreements	1,873	2,261
Capital loss carryforward	24,703	27,470
Other	43,751	20,287
Total deferred tax assets	186,934	138,462
Gross deferred tax liabilities:		
Core deposits and purchase accounting	(38,167)	(23,358)
Premises and equipment, due to differences in depreciation	(4,748)	(5,690)
FHLB stock dividends	(29,191)	(25,276)
Leasing operations	(56,020)	(46,511)
Security investments	(74,903)	(17,965)
Prepaid pension reserves	(6,191)	(1,730)
Other	(8,978)	(6,513)
Total deferred tax liabilities	(218,198)	(127,043)
Net deferred tax assets (liabilities)	\$ (31,264)	11,419

The Company has determined that it is not required to establish a valuation reserve for the net deferred tax assets since it is "more likely than not" that such net assets will be principally realized through future taxable income and tax planning strategies. The Company's conclusion that it is "more likely than not" that the net deferred tax assets will be realized is based on history of growth in earnings and the prospects for continued growth and profitability.

The exercise of stock options under the Company's nonqualified stock option plan, and nonqualified exercises of options under the qualified plan, resulted in tax benefits reducing the Company's current income tax payable and increasing common stock by \$3.0 million in 2001, \$3.4 million in 2000, and \$8.6 million in 1999.

19. REGULATORY MATTERS

The Company is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2001, that the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 2001, the Company's capital ratios significantly exceed the minimum capital levels, and the Company is considered well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events that management believes have changed the Company's category.

Dividends declared by the Company's national banking subsidiaries in any calendar year may not, without the approval of the appropriate federal regulator, exceed their net earnings for that year combined with their net earnings less dividends paid for the preceding two years. At December 31, 2001, the Company's subsidiaries had approximately \$257.8 million available for the payment of dividends under the foregoing restrictions.

The actual capital amounts and ratios of the Company and significant banking subsidiaries are as follows (*in thousands*):

	Actual		Minimum for capital adequacy purposes		To be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2001:						
Total capital (to risk-weighted assets)						
The Company	\$ 2,330,155	12.20 %	\$ 1,527,745	8.00 %	\$ 1,909,681	10.00 %
Zions First National Bank	809,418	11.39	568,372	8.00	710,465	10.00
California Bank & Trust	728,288	11.37	512,382	8.00	640,478	10.00
Tier I capital (to risk-weighted assets)						
The Company	1,576,175	8.25	763,872	4.00	1,145,808	6.00
Zions First National Bank	566,509	7.97	284,186	4.00	426,279	6.00
California Bank & Trust	537,427	8.39	256,191	4.00	384,287	6.00
Tier I capital (to average assets)						
The Company	1,576,175	6.56	720,599	3.00	1,200,999	5.00
Zions First National Bank	566,509	5.87	289,574	3.00	482,624	5.00
California Bank & Trust	537,427	6.60	244,200	3.00	407,000	5.00
As of December 31, 2000:						
Total capital (to risk-weighted assets)						
The Company	\$ 1,737,176	10.83 %	\$ 1,282,874	8.00 %	\$ 1,603,593	10.00 %
Zions First National Bank	680,382	12.30	442,604	8.00	553,255	10.00
California Bank & Trust	584,124	10.71	436,446	8.00	545,558	10.00
Tier I capital (to risk-weighted assets)						
The Company	1,368,041	8.53	641,437	4.00	962,156	6.00
Zions First National Bank	448,729	8.11	221,302	4.00	331,953	6.00
California Bank & Trust	405,891	7.44	218,223	4.00	327,335	6.00
Tier I capital (to average assets)						
The Company	1,368,041	6.38	643,265	3.00	1,072,108	5.00
Zions First National Bank	448,729	5.36	251,323	3.00	418,871	5.00
California Bank & Trust	405,891	6.20	196,278	3.00	327,130	5.00

20. RETIREMENT PLANS

The Company has a noncontributory defined benefit pension plan for eligible employees. Plan benefits are based on years of service and employees' compensation levels. Benefits vest under the plan upon completion of five years of service. Plan assets consist principally of corporate equity and debt securities and cash investments. Plan benefits are defined as a lump-sum cash value or an annuity at age 65.

The following table presents the change in the plan's benefit obligation (*in thousands*):

	2001	2000
Benefit obligation at beginning of year	\$ 117,514	106,390
Service cost	8,601	7,026
Interest cost	8,659	8,137
Plan amendments	615	-
Actuarial loss	5,925	5,27
Benefits paid	(6,282)	(9,313)
Benefit obligation at end of year	\$ 135,032	117,514

Plan assets include 123,142 shares of Company common stock as of December 31, 2001 and 2000. The total value of these shares was approximately \$6.5 million at December 31, 2001. Dividends paid on these shares were approximately \$99 thousand in 2001. The following table presents the change in plan assets (*in thousands*):

	2001	2000
Fair value of plan assets at beginning of year	\$ 119,758	138,989
Actual return on plan assets	(9,443)	(9,918)
Employer contributions	15,000	-
Benefits paid	(6,282)	(9,313)
Fair value of plan assets at end of year	\$ 119,033	119,758

The following table presents the plan's funded status reconciled with amounts recognized in the Company's consolidated balance sheets at December 31 (*in thousands*):

	2001	2000
Funded status	\$ (15,999)	2,244
Unrecognized net actuarial loss	32,300	6,581
Unrecognized prior service cost	(1,216)	(2,243)
Net prepaid benefit cost	\$ 15,085	6,582

Net periodic benefit cost recognized includes the following components (*in thousands*):

	2001	2000	1999
Service cost	\$ 8,601	7,026	8,294
Interest cost	8,659	8,137	7,397
Expected return on plan assets	(10,351)	(12,059)	(9,300)
Amortization of prior service cost	(412)	(403)	(385)
Amortization of transitional asset	-	-	(431)
Recognized actuarial gain	-	(632)	-
Net periodic benefit cost recognized	\$ 6,497	2,069	5,575

The weighted average discount rate used in determining the pension benefit obligation was 7.25 percent in 2001 and 7.50 percent in 2000. The rate of compensation increase was 5.00 percent and the expected long-term rate of return was 9.00 percent for both 2001 and 2000. Any net transition asset or obligation and any unrecognized prior service cost are being amortized on a straight-line basis. Unrecognized gains and losses are amortized using the minimum recognition method.

The Company also sponsors several unfunded nonqualified supplemental executive retirement plans, which restore pension benefits limited by federal tax law. At December 31, 2001 and 2000, the Company's liability included in accrued liabilities totaled \$14.7 million and \$7.1 million, respectively.

In addition to the Company's defined benefit pension plan, the Company sponsors a defined benefit health care plan that provides postretirement medical benefits to full-time employees hired before January 1, 1993, who meet minimum age and service requirements. The plan is contributory, with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. Plan coverage is provided by self-funding or health maintenance organizations (HMOs) options. Reductions in the Company's obligations to provide benefits resulting from cost sharing changes have been applied to reduce the plan's unrecognized transition obligation. In 2000 the Company increased its contribution toward retiree medical coverage and permanently froze the Company contributions. Retirees pay the difference between the full premium rates and the capped Company contribution.

The following table presents the change in the plan's benefit obligation *(in thousands)*:

	2001	2000
Benefit obligation at beginning of year	\$ 8,914	5,683
Service cost	110	265
Interest cost	512	767
Plan amendments	-	2,376
Actuarial (gain) loss	(1,079)	39
Benefits paid	(1,305)	(1,156)
Curtailments	-	940
Benefit obligation at end of year	\$ 7,152	8,914

The following table presents the plan's funded status reconciled with amounts recognized in the Company's consolidated balance sheets at December 31 *(in thousands)*:

	2001	2000
Benefit obligation at end of year	\$ 7,152	8,914
Unamortized prior service cost	(255)	(341)
Unrecognized net actuarial gain	3,058	2,896
Accrued benefit cost	\$ 9,955	11,469

Net periodic benefit cost recognized includes the following components *(in thousands)*:

	2001	2000	1999
Service cost	\$ 110	265	91
Interest cost	512	767	852
Recognized prior service cost	85	85	-
Recognized net gain	(917)	(441)	(317)
Net periodic benefit cost (credit)	(210)	676	626
Recognized curtailment (gain) loss	-	940	(3,594)
Net periodic benefit cost (credit) after recognition of extraordinary items	\$ (210)	1,616	(2,968)

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.25 percent at December 31, 2001 and 7.50 percent at December 31, 2000. Because the Company's contribution rate is capped, there is no effect from assumed increases or decreases in healthcare cost trend rates.

The Company has an Employee Stock Savings Plan and an Employee Investment Savings Plan ("PAYSHelter"). Under PAYSHelter, employees select from a nontax-deferred or tax-deferred plan and several investment alternatives. Employees can contribute from 1 to 15 percent of compensation, which is matched up to 50 percent by the Company for contributions up to 5 percent and 25 percent for contributions greater than 5 percent up to 10 percent. The Company's contributions to the plans amounted to \$6.6 million in 2001, \$5.5 million in 2000, and \$5.3 million in 1999.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value and estimated fair value of principal financial instruments are summarized as follows (*in thousands*):

	December 31, 2001		December 31, 2000	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
Cash and due from banks	\$ 978,609	978,609	1,047,252	1,047,252
Money market investments	282,580	282,580	510,123	510,123
Investment securities	3,466,357	3,466,563	4,188,309	4,215,616
Loans, net	17,050,355	17,698,693	14,182,498	14,682,170
Derivatives (included in other assets in 2001)	67,087	67,087	-	-
Total financial assets	\$ 21,844,988	22,493,532	19,928,182	20,455,161
Financial liabilities:				
Demand, savings, and money market deposits	\$ 13,988,486	13,988,486	11,855,794	11,855,794
Time deposits	3,719,916	3,776,388	3,077,795	3,092,466
Foreign deposits	133,288	133,266	136,394	136,131
Securities sold, not yet purchased	87,255	87,255	291,102	291,102
Federal funds purchased and security repurchase agreements	2,137,737	2,137,737	2,396,845	2,396,845
Derivatives (included in accrued liabilities in 2001)	22,056	22,056	-	-
FHLB advances and other borrowings	730,724	747,166	1,632,975	1,634,383
Long-term debt	781,342	822,898	419,550	443,553
Total financial liabilities	\$ 21,600,804	21,715,252	19,810,455	19,850,274
Off-balance sheet instruments:				
Swaps			\$ -	33,936
Foreign exchange forwards			(31)	(31)
Total off-balance sheet instruments			\$ (31)	33,905

FINANCIAL ASSETS

The estimated fair value approximates the carrying value of cash and due from banks and money market investments. For investment securities, the fair value is based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or a discounted cash flow model based on established market rates. The fair value of fixed-rate loans is estimated by discounting future cash flows using the London Interbank Offer Rate ("LIBOR") yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. Variable-rate loans reprice with changes in market rates. As such, their carrying amounts are deemed to approximate fair value.

FINANCIAL LIABILITIES

The estimated fair value of demand and savings deposits, securities sold not yet purchased, and federal funds purchased and security repurchase agreements, approximates the carrying value. The fair value of time and foreign deposits is estimated by discounting future cash flows using the LIBOR yield curve. The fair value of fixed-rate FHLB advances is estimated by discounting future cash flows using the LIBOR yield curve. Variable rate FHLB advances reprice with changes in market rates. As such, their carrying amounts approximate their fair value. Other borrowings are not significant. The estimated fair value of the subordinated notes is based on a quoted market price. The remaining long-term debt is not significant.

DERIVATIVE INSTRUMENTS

The fair value of the derivatives reflects the estimated amounts that the Company would receive or pay to terminate these contracts at the reporting date based upon pricing or valuation models applied to current market information. Interest rate swaps are valued using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates derived from observed market interest rate curves.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The fair value of commitments to extend credit and letters of credit, based on fees currently charged for similar commitments, is not significant.

LIMITATIONS

These fair value disclosures represent management's best estimates, based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

Further, the calculations do not represent the underlying value of the Company. Other significant assets and liabilities, which are not considered financial assets or liabilities and for which no fair values have been estimated, include premises and equipment, goodwill and other intangibles, deferred taxes, and other liabilities.

22. OPERATING SEGMENT INFORMATION

Operating segments represent components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company evaluates segment performance internally based on geography, and thus the operating segments are so defined. All segments, except for the segment defined as "Other," are based on commercial banking operations. The operating segment defined as "Other" includes the parent company, smaller nonbank operating units, and eliminations of transactions between segments.

The accounting policies of the individual operating segments are the same as those of the Company described in Note 1. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. Expenses for centrally provided services are allocated based on the estimated usage of those services.

The following is a summary of selected operating segment information for the years ended December 31, 2001, 2000 and 1999 (in thousands):

	Zions First National Bank and Subsidiaries	California Bank & Trust	Nevada State Bank and Subsidiaries	National Bank of Arizona	Vectra Bank Colorado	The Commerce Bank of Washington	Other	Consolidated Company
2001:								
Net interest income	\$ 302,469	343,736	114,273	102,950	86,445	21,847	(21,931)	949,789
Provision for loan losses	41,900	9,250	10,080	1,500	9,350	1,278	(167)	73,191
Net interest income after provision for loan losses	260,569	334,486	104,193	101,450	77,095	20,569	(21,764)	876,598
Noninterest income	234,458	91,175	23,719	16,113	27,490	1,203	24,548	418,706
Merger-related expense and amortization of goodwill, core deposit and other intangibles	3,655	28,122	1,490	3,607	13,059	-	7,656	57,589
Other noninterest expense	282,794	223,537	78,461	60,493	81,194	8,429	61,626	797,534
Income before income taxes, minority interest and cumulative effect	208,578	174,002	47,961	53,463	10,332	12,343	(66,498)	440,181
Income taxes	69,900	76,465	16,350	21,412	6,947	4,206	(37,480)	157,800
Minority interest	(2,053)	-	-	-	-	-	(5,745)	(7,798)
Cumulative effect, adoption of FASB No. 133	(5,318)	(1,284)	(616)	-	59	-	-	(7,159)
Net income	\$ 135,413	96,253	30,995	32,051	3,444	8,137	(23,273)	283,020
Assets	\$ 8,580,293	8,366,328	2,480,884	2,605,665	2,639,118	529,395	(897,519)	24,304,164
Net loans and leases ¹	6,062,313	5,707,772	1,514,546	1,796,279	1,849,683	294,443	85,802	17,310,838
Deposits	5,318,078	6,772,735	2,139,606	2,193,050	1,763,613	381,623	(727,015)	17,841,690
Shareholders' equity	636,266	988,327	160,953	210,920	439,115	38,256	(192,968)	2,280,869
2000:								
Net interest income	\$ 227,057	297,153	101,685	92,300	89,094	19,991	(23,902)	803,378
Provision for loan losses	8,250	-	10,060	3,570	9,112	819	-	31,811
Net interest income after provision for loan losses	218,807	297,153	91,625	88,730	79,982	19,172	(23,902)	771,567
Noninterest income	151,966	43,585	23,488	14,082	20,223	1,472	(62,652)	192,164
Merger-related expense and amortization of goodwill, core deposit and other intangibles	4,470	23,677	6,798	2,315	13,702	-	31,753	82,715
Other noninterest expense	219,114	183,581	74,226	50,396	72,593	8,817	29,385	638,112
Income before income taxes and minority interest	147,189	133,480	34,089	50,101	13,910	11,827	(147,692)	242,904
Income taxes	44,917	59,401	11,337	19,885	8,103	3,965	(67,947)	79,661
Minority interest	(2,142)	-	-	-	-	-	3,676	1,534
Net income	\$ 104,414	74,079	22,752	30,216	5,807	7,862	(83,421)	161,709
Assets	\$ 8,095,001	6,952,940	2,373,585	1,943,675	2,155,929	552,661	(134,348)	21,939,443
Net loans and leases ¹	4,885,246	4,855,632	1,383,142	1,488,773	1,475,166	242,042	48,032	14,378,033
Deposits	4,173,002	5,588,601	1,992,947	1,551,182	1,385,271	404,864	(25,884)	15,069,983
Shareholders' equity	459,951	714,322	176,168	160,925	390,252	33,226	(156,000)	1,778,844

	Zions First National Bank and Subsidiaries	California Bank & Trust	Nevada State Bank and Subsidiaries	National Bank of Arizona	Vetra Bank Colorado	The Commerce Bank of Washington	Other	Consolidated Company
1999:								
Net interest income	\$ 220,018	263,682	99,885	76,928	83,103	15,792	(17,919)	741,489
Provision for loan losses	9,000	-	3,660	2,400	2,586	610	(300)	17,956
Net interest income after provision for loan losses	211,018	263,682	96,225	74,528	80,517	15,182	(17,619)	723,533
Noninterest income	169,902	35,806	23,933	13,022	17,206	735	5,941	266,545
Merger-related expense and amortization of goodwill, core deposit and other intangibles	2,135	25,909	14,070	1,831	15,228	-	4,526	63,699
Other noninterest expense	208,159	182,034	78,596	42,909	74,877	7,452	23,841	617,868
Income before income taxes and minority interest	170,626	91,545	27,492	42,810	7,618	8,465	(40,045)	308,511
Income taxes	53,327	42,101	9,001	16,617	5,616	2,788	(19,952)	109,498
Minority interest	3,065	-	-	-	-	-	1,884	4,949
Net income	\$ 114,234	49,444	18,491	26,193	2,002	5,677	(21,977)	194,064
Assets	\$ 7,156,888	6,566,985	2,277,356	1,600,135	2,161,216	408,409	109,911	20,280,900
Net loans and leases ¹	4,085,175	4,559,136	1,340,534	1,212,531	1,372,710	200,320	20,239	12,790,645
Deposits	3,809,258	5,425,928	1,882,349	1,206,366	1,490,468	289,182	(41,612)	14,061,939
Shareholders' equity	444,401	679,288	163,422	131,322	384,398	25,329	(168,322)	1,659,838

¹ Net of unearned income and fees, net of related costs.

23. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Financial information by quarter for 2001 and 2000 is as follows (in thousands, except per share amounts):

	Gross interest income	Net interest income	Non interest income	Non interest expense	Provision for loan losses	Income (loss) before income taxes, minority interest and cumulative effect	Net income (loss)	Net income (loss) per common share	
								Basic	Diluted
2001:									
First quarter	\$ 406,913	215,837	111,769	203,399	12,772	111,435	64,742	0.73	0.72
Second quarter	407,409	235,018	93,893	205,910	12,235	110,766	73,595	0.80	0.79
Third quarter	401,238	247,113	108,309	223,199	21,470	110,753	72,797	0.79	0.78
Fourth quarter	376,392	251,821	104,735	222,615	26,714	107,227	71,886	0.78	0.78
	<u>\$ 1,591,952</u>	<u>949,789</u>	<u>418,706</u>	<u>855,123</u>	<u>73,191</u>	<u>440,181</u>	<u>283,020</u>	<u>3.10</u>	<u>3.07</u>
2000:									
First quarter	\$ 379,555	190,992	(36,311)	200,312	5,248	(50,879)	(28,492)	(0.33)	(0.33)
Second quarter	396,623	194,598	70,599	167,312	6,214	91,671	59,583	0.70	0.69
Third quarter	424,482	208,029	75,349	173,926	8,119	101,333	64,644	0.74	0.74
Fourth quarter	425,523	209,759	82,527	179,277	12,230	100,779	65,974	0.76	0.75
	<u>\$ 1,626,183</u>	<u>803,378</u>	<u>192,164</u>	<u>720,827</u>	<u>31,811</u>	<u>242,904</u>	<u>161,709</u>	<u>1.87</u>	<u>1.86</u>

Net income for the first quarter of 2001 includes a cumulative effect of a change in accounting principle of \$7.2 million (\$.08 per share, basic and diluted), net of tax benefit of \$4.5 million, related to the adoption of FASB Statement No. 133. No other quarters in 2001 were affected by this accounting change. In addition, net income for the third quarter of 2001 includes investment securities gains of \$23.9 million. Noninterest income (loss) for the first quarter of 2000 includes the \$96.9 million impairment loss on First Security Corporation common stock as discussed in Note 3, and noninterest expense includes \$41.5 million of pretax merger expenses mainly related to the terminated First Security Corporation merger.

24. PARENT COMPANY FINANCIAL INFORMATION

Condensed financial information of Zions Bancorporation (parent only) follows:

CONDENSED BALANCE SHEETS DECEMBER 31, 2001 AND 2000

<i>(In thousands)</i>	2001	2000
ASSETS		
Cash and due from banks	\$ 2,063	1,959
Interest-bearing deposits	12,778	5,354
Investment securities	9,144	8,763
Loans and other receivables, net	2,418	15,164
Investments in subsidiaries:		
Commercial banks	2,473,056	1,900,774
Other	273,674	167,208
Receivables from subsidiaries:		
Commercial banks	125,000	125,000
Other	15,848	14,044
Other assets	111,054	85,477
	<u>\$ 3,025,035</u>	<u>2,323,743</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accrued liabilities	\$ 24,916	30,437
Borrowings one year or less	309,000	267,239
Subordinated debt to subsidiary	50,350	20,223
Long-term debt	359,900	227,000
Total liabilities	<u>744,166</u>	<u>544,899</u>
Shareholders' equity:		
Common stock	1,111,214	907,604
Accumulated other comprehensive income (loss)	59,951	(3,644)
Retained earnings	1,109,704	874,884
Total shareholders' equity	<u>2,280,869</u>	<u>1,778,844</u>
	<u>\$ 3,025,035</u>	<u>2,323,743</u>

CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

(In thousands)	2001	2000	1999
Interest income - interest and fees on loans and securities	\$ 9,988	18,034	11,846
Interest expense - interest expense on borrowed funds	34,641	48,641	32,529
Net interest loss	(24,653)	(30,607)	(20,683)
Other income:			
Dividends from consolidated subsidiaries:			
Commercial banks	254,438	163,046	109,868
Other	-	1,000	-
Investment securities gains, net	6,056	25,076	800
Impairment loss on First Security Corporation common stock	-	(96,911)	-
Other income	10,615	10,236	3,168
	271,109	102,447	113,836
Expenses:			
Salaries and employee benefits	14,018	9,311	8,659
Merger-related expense	372	28,291	884
Other operating expenses	12,365	5,661	1,633
	26,755	43,263	11,176
Income before income tax benefit and undistributed income of consolidated subsidiaries	219,701	28,577	81,977
Income tax benefit	29,429	60,661	14,471
Income before equity in undistributed income of consolidated subsidiaries	249,130	89,238	96,448
Equity in undistributed income of consolidated subsidiaries:			
Commercial banks and bank holding company	50,164	78,628	103,767
Other	(16,274)	(6,157)	(6,151)
Net income	\$ 283,020	161,709	194,064

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

(In thousands)	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 283,020	161,709	194,064
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net income of consolidated subsidiaries	(33,890)	(72,471)	(97,616)
Depreciation of premises and equipment	81	117	145
Investment securities gains, net	(6,056)	(25,076)	(800)
Impairment loss on First Security Corporation common stock	-	96,911	-
Amortization of intangibles	660	660	663
Other	(23,992)	(23,615)	(14,219)
Net cash provided by operating activities	219,823	138,235	82,237
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (increase) decrease in interest-bearing deposits	(7,424)	17,545	(2,155)
Collection of advances to subsidiaries	21,885	12,846	9,890
Advances to subsidiaries	(23,689)	(32,325)	(16,590)
Proceeds from sale of investment securities available for sale	9,531	162,282	20,664
Purchase of investment securities	(6,456)	(1,065)	(250,780)
Increase of investment in subsidiaries	(237,584)	(75,674)	(88,725)
Cash paid to require minority interest	(66,044)	-	-
Other	19,964	621	178
Net cash provided by (used in) investing activities	(289,817)	84,230	(327,518)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in commercial paper and other borrowings under one year	41,761	(146,421)	302,443
Payment on borrowings over one year	-	-	-
Proceeds from issuance of long-term debt	200,000	-	-
Payments on long-term debt	(67,100)	(3,650)	-
Proceeds from issuance of common stock	15,798	6,717	9,753
Payments to redeem common stock	(46,462)	(3,899)	(6,650)
Dividends paid	(73,899)	(76,762)	(56,914)
Net cash provided by (used in) financing activities	70,098	(224,015)	248,632
Net increase (decrease) in cash and due from banks	104	(1,550)	3,351
Cash and due from banks at beginning of year	1,959	3,509	158
Cash and due from banks at end of year	\$ 2,063	1,959	3,509

The parent company paid interest of \$32.8 million in 2001, \$50.1 million in 2000, and \$30.7 million in 1999.

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Utah and Idaho
Administration

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Chief Financial Officer

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Executive Vice President
California Administration

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Credit Administration

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Information Systems

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Management

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Capital Markets
and Investments

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Human Resources

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Controller

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Senior Vice President
Credit Examination

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Investor Relations

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Auditing

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Taxation & Financial Planning

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Salt Lake City, Utah

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President and Chief Executive
Officer
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Salt Lake City, Utah

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Harvard University
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Salt Lake City, Utah

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Salt Lake City, Utah

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Salt Lake City, Utah

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² Member, Audit Committee

³ Member, Executive
Compensation Committee

⁴ Member, Credit
Review/Compliance
Committee

**ZIONS FIRST
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SALT LAKE CITY, UTAH**

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Private Client Services

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Jesus Christ of Latter-day
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Salt Lake City, Utah
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Jesus Christ of Latter-day
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Salt Lake City, Utah

¹ Member, Executive Committee
² Member, Trust Committee
³ Member, Examining
Committee
⁴ Member, Credit
Review/Compliance
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RICK C. ROBINSON
GAY L. ROGERS
MARK ROTHACHER
SHARON SCHWINGHAMMER
STEVEN J. SCOTT

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NONNIE S. SHINGLETON
KEVIN H. SHURTLEFF
TONYA SMITH
CARL SNYDER
SHEILA SPANGLER
MICHELLE STALLWORTH
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AMERICAN FORK
BLANDING
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CEDAR CITY
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DELTA
DRAPER
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FARMINGTON
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HURRICANE
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KEARNS
LAYTON
LEHI
LOGAN
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MANTI
MIDVALE
MIDAB
MONTICELLO
MONTEZUMA CREEK
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NORTH OGDEN
NORTH SALT LAKE
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SOUTH JORDAN
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CALIFORNIA BANK & TRUST
SAN DIEGO, IRVINE,
LOS ANGELES, OAKLAND

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 Salt Lake City, Utah

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 Salt Lake City, Utah

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 California Bank & Trust
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PEGGY STANDEFER
DENETTE STEWART
WALTER STRANGMAN
THOMAS TRINE
KINGMAN TSANG
VIVIAN VAN HODK
RICHARD WESSMAN
ROBERT WHITELAW
GWENDOLYN WONG
RICHARD YUEN

VICE PRESIDENTS

R. GABRIEL AGUIRRE
IQBAL AHMED
MICHELLE ALLEN
ROBERT ALLEN
STEVEN ALMQUIST
JANICE ANDERSON
ELIZABETH ARGUELLO
STELLA ARROL
DAVID BALE
PATRICIA BAPTIST
JUAN BARRERA
PATTI BARSOTTI
CATHERINE BECK
PATRICIA BELOEN
GUSTAVO BIDART
CHERYL BLACKWELL
ERIC BODSWORTH
BURT BRIGIDA
CHARLES BRONAUGH
SUSAN BROWN
TRINA BROWN
BRUCE BRYANT
LYNDA BUCKNER
JAMES BURKS

KENT BURROWS
CHARLOTTE BUSE
ANDREW BUSSCHAU
EVELYNA CAMACHO-GEORGE
VERNON CAMARA
PAMELA CAMPBELL
MICHAEL CARROLL
FRANK CASCIARI
FERNANDO CASTILLO
MERCEDES CATHERINE
LINDA CECIL
STEPHEN CELLA
RICHARD CHACKEL
GUY CHAFFEE
STEVEN CHAN
MARGARET CHANG
STEVEN CHANG
RONALD CHAPMAN
AMELIA CHELLEW
CECILIA CHEN
HEDDY CHIANG
DENNIS CHOCK
JOANNE CLEARY
CHARLES CLINE
GREGORY COLER
PATRICIA COLLINS
SHELLEY COWLEY
PAUL CROSSEN
RICHARD CRDTTI
ANDREA CUIZDN
JOHN CUMMINGS
IMRAN DADABHDY
GARY DAVIS
MEREDITH DAVIS
DEBORAH DAWAHARE
STEVE DE LONG
MELISSA DEADRICH
RUTH DE FRATES
OREEN DENIZ
GHALIB DHALLA
DENISE DI BELLO
LISA DI MAGGIO
JANET DILLON
ADAM DJOU
KATHY DODSDN
LAIRO DOHERTY
CHARLES DOMBROWSKI
LYNN DONNOVAN
LOUISE DONOVAN-FRAZIER
MARISA DRURY
LYNNE DUKE
VICKIE EADS
HENRY EAGAR
JOHN ELLIOTT
ANDRE ELLIS
JULI ELSTON
JUN ENKJJI
CLYDE FARIAS
EMILIO FERNANDEZ
SUSAN FERRARA
BEVERLY FISHER
THOMAS FLANNERY
ROXANNE FLEISCHMAN
JAMES FLEISHER
NORMAN FONG
RAOCLIFFE FORBES
PHILIP FOWLER
MARGIE FOX
DEBORAH FREDRICKSON
AVI FROHLICHMAN
KATHLEEN GALVIN
BRENDA GAMBOL
KATHERINE GANDOLFO
ANITA GARCIA

RICHARD GARCIA
SANDRA GARCIA
MICHAEL GARDELLA
MARGO GARNIER
CHRISTOPHER GARTON
KATHLEEN GAUGER
STEVEN GIACOMI
ALEXANDER GILBERT
BRUCE GILLHAM
MIRANDA GIN
PAMELA GLASS
KRISTINE GODDARD
GAIL GOTTHELF
REBECCA GRIFFIN
ROY GRIMES
RICHARD GRINYER
MARY GROSS
STEPHEN GUINN
MARTIN GUMBINER
CHESTER HAINES
SHARI HALAGAN
ANGELA HAMAMURA
GENE HANE
JOHN HARRISON
ROBERT HART
JANE HASHIMOTO
CHRISTINE HECKERT
I. LAURA HELDER
STEVEN HERMAN
DONALD HESS
BRIAN HODGINS
WAYNE HOLLINS
RICHARD HONG
RANDALL HORNER
SHOKO HORRELL
MARSHA HOSHIDE
MEARICE HUNT
HELEN HWANG
G. BUDDY IKEDA
MUTSUMI IWAKI
HOLLY IWANAGA
NORIO IWASE
MICHAEL JACKS
RHONDA JAMES
NEIL JOHANSEN
ERIN JOHNSON
DIANA JOHNSON
ODROTHY JOHNSON
PAUL JOHNSON, JR.
ALAN JOLLY
RAYMOND JONES
ROBERT KAHN
HOMA KAJIAN
BOBBY KARIYA
BENJAMIN KATAI
LALEH KAZEMI
LAUREN KEHL
STEVE KENT
NICHOLAS KERSHAW
JIN KIM
MASATO KIMOTSUKI
BARTHOLOMEW KINARD
BETTY KING
KARYN KING
JAY KNOBLOCH
SHARYN KOHARA
ABRAHAM KOWAL
WALTER KRAWCZYNSKI
RICHARD KRIEB
CARL KRUSE
A. JAMES KUCERA
ERIC KURAMOTO
CLARA LA PLANTE
CHARLES LAHAM II

JENNY LAI-ZAMORA
ROSEMARY LARKIN
CYNTHIA LEE
DARA LEE
JOHN LEE
MARK LEE
CINDY LEHMAN
ROBERT LEITZEL
DERRELL LEJEUNE
HARLENE LEUNG
LUONG LIEU
JDE LIM
KATHY LIN
KATHLEEN LITTLEFIELD
RONALD LITTLEFIELD
ANNIE LIU
STACY LOMBARDO
NICKY LOVEJDY
BETTYE LOVETTE
MARION LDZIER
JDE LUI
WILLIAM MALAIER
JIMMY MANLEY III
SUSAN MARTIN
JOHN MASSAB
HIRDKO MATSUMOTO
AUDREY MC CLAIN
SUSAN MC CRACKIN
MAUREEN MC DAID
ALAN MC EACHERN
RICK MC MANN
KENNETH MCNIEL
KEVIN MCQUISTON
SUSANA MENDEZ
ERIC MILLER
MICHAEL MILLER
CHARLES MILLS
RDYAL MINSON
JAN MITROVICH
CHISATO MOLINA
KRISTINA MONTAG
ANA MONTE
PAULA MORGAN
DENISE MORTARTY
LELIA MORIZGO
KEVIN MURPHY
DEBORAH MYERS
MICHAEL NAGAI
HISAKO NAGATA
ERNEST NAGATSDHI
RICHARD NANCE
ERIC NELSON
ARTHUR NEWBY
DDRA NG-LEE
SARAH NICHOLSON
CATHERINE NIEMANN
JAMES O'BRIEN
MARGARET DAE-INAKI
NDRIKO OAKLAND
RICHARD DHL
STEVEN OKAMURA
JULIE OLER
ELIZABETH OLSDN-CIPRIANO
CHRISTINE ONO
RICARDO ORTIZ
KENNETH OTO
CHARLES OTT
JOSEPH PACIS
RALPH PADILLA
MARCEL PAISLEY
STEPHANIE PALDS
SEAN PARCHMANN

STEPHEN PARKS
GAIL PARVANI
LARRY PATRICK
SUSAN PATTENGILL
JEFFREY PAYNE
ROBERT PEILER
SANTIAGO PEREZ
CAROL PERILLO
JENNIFER PESCATORE
LANCHI PHAM
DDNNA PIERCE
KELLI PINTO
WILLIAM POLLARD
LDRI POOLE
MEGGY PODN
J PDRAS
MICHAEL PRINCEVALLE
BARBARA PRINDLE
DIANA PUN
KIM RAMIREZ
WILLIAM RASH
TRACY RECKERT
WILLIAM REYNOLDS
DEVON RICHARDSON
CHARLES RIGSBEE
CHARLOTTE ROBERSON
UBALDO RODRIGUEZ
ROBIN ROPDLO
JUDY ROQUEMDRE
JOHN RUSSELL
VIC RYDER
ELAINE SACULLA
LILIA SALCEDO
CRAIG SAMUELS
JENNIFER SANCHEZ
RAYMOND SANFORD
CARMEN SANZ
SYLVIA SANZ
PATRICK SAUNDERS
KELLY SCHNEIDER
DAVID SEKIGAHAMA
TIMOTHY SELCHAU
SUMIKO SHEAFFER
MAXINE SHEARER
DENNIS SHEEHAN
HARRY SHIBETOMI
EMILY SIDELL
JOHN SIEMENS
STEVEN SIEMERS
BRUCE SILBERMAN
SHARDN SILKMAN
HYDNBD.SIM
DAVID SIMKIN
DEBBIE SLATTERY
JENNIFER SMITH
GILBERTO SORIA
MARK STEBBINGS
ROBERT STOCKWELL
THOMAS STOUT
J. MICHAEL SULLIVAN
RANDY SUZUKI
SHIRLEY SWAYNE
JENNY SWENNING
JEANNIE SWOPES
JAMES TABATA
MARK TAGWERKER
SIN TANG
CHRISTINE TANIZAWA
KYLE TATSUMOTO
DEBBIE TELLIER
SHERRIE TELLIER
LYNN TERRELL
KATHY THURSTON

MARY TILDEN
WILLIE TOWNER
PAUL TOZZI
VALERIE TRACY
MARIE TRAN
LINDA TREICHLER
YEN-FOU TSENG
ROBERT TURNLEY
SHUNICHI UCHIDA
VICTORIA UNDERWOOD
TAKASHI USUI
CURTIS VALENZUELA
MARK VAN AELSTYN SR.
GJSBERTUS VAN-ELDEN
CRAIG VAN LANGEN
HERNAN VASQUEZ
JOHN VIGIL
JOHN WAGENBACH
THOMAS WALKER
SHERI WALLING
EUGENE WATSON
ROBERT WEIDEMANN
WEN-FU WENG
TRACY WESSMAN
LEIGH WHITE
REBECCA WHITE
TIMOTHY WILLIAMS
HAU-LING WONG
LDRA WONG
WILLIAM WONG
JANICE WOOD
RICK WODDY
GEORGIA WORSHAM
AMY WU
DAVID WU
HOWARD WU
DIANE WUNDERLICH-SIPE
HOWARD WYNN
LARRY YAMASHIRO
MICHAEL YIM
YDSHIKO YODN
PATRICIA YOUNG
MARY YUEN-KWAN
AMIR ZENHARI
RACHEL ZIPPWALD

CALIFORNIA BANK & TRUST 94 BANKING LOCATIONS IN:

ACTON
ALBANY
ALHAMBRA
ALPINE
ANAHEIM
ARCADIA
BREA
CAPISTRANO BEACH
CARLSBAD
CHULA VISTA
CLAREMONT
COSTA MESA
CRENSHAW
CUPERTINO
DEL MAR
EL CAJON
ENCINITAS
ESCONDIDO
FRAZIER PARK
FREMONT
FRESNO
GARDENA
HACIENDA HEIGHTS
HAYWARD
HUNTINGTON BEACH
INDIO
IRVINE
KEARNY MESA
LA JOLLA
LA MESA
LA PALMA
LAGUNA HILLS
LAKE LOS ANGELES
LANCASTER
LONG BEACH
LOS ANGELES
MADERA
MILLBRAE
MONARCH BEACH
MONTEREY
MONTEREY PARK
MORRIS VALLEY
MOUNTAIN VIEW
OAKLAND
Oxnard
PALM DESERT
PALMDALE
PLEASANT HILL
POMONA
POWAY
QUARTZ HILL
RANCHO BERNARDO
RDSAMDND
SACRAMENTO
SAN BERNARDINO
SAN CLEMENTE
SAN DIEGO
SAN FERNANDO VALLEY
SAN FRANCISCO
SAN JUAN CAPISTRANO
SAN JOSE
SAN MARCOS
SAN MATEO
SANTA MONICA
STOCKTON
TEMECULA
TORRANCE
TUSTIN
VALLEY CENTER
VISTA
WALNUT CREEK
WATSONVILLE
WRIGHTWOOD

**NEVADA STATE BANK
LAS VEGAS, NEVADA**

CORPORATE OFFICERS

WILLIAM E. MARTIN
President and
Chief Executive Officer
Chairman of the Board
R. BRUCE HILLIER
Executive Vice President
JERRY R. MARTIN
Executive Vice President
RICHARD VEITZ
Executive Vice President

BOARD OF DIRECTORS

WILLIAM E. MARTIN
Chairman of the Board
President and Chief Executive
Officer
Nevada State Bank
Las Vegas, Nevada
RICHARD A. CARLSON
Retired/Former President and
Chief Executive Officer of
Nevada State Bank
Las Vegas, Nevada
WING FONG
Wing Fong Enterprises
Las Vegas, Nevada
JOHN R. LARSEN
Chief Executive Officer
Port of Subs, Inc.
Reno, Nevada
DR. ROBERT E. ROBINSON
Las Vegas, Nevada
HARRIS H. SIMMONS
President and
Chief Executive Officer
Zions Bancorporation
Salt Lake City, Utah
GARY L. STEWART
President and Owner
Central Grading Company
Las Vegas, Nevada

SENIOR VICE PRESIDENTS

DENISE ALDERETTE
ROGER ASHBY
JEFF BARGERHUFF
KELLY BRDCKMAN
RUSS BROWNE
MARK CAMPBELL
ROBIN COLLINS
MICHAEL CUNNINGHAM
RICHARD DEGLMAN
CASSI EISINGER
GARY GIBSON
DAN HOLT
VIRGINIA KNUDSEN
CHRISTAL KREHNOVI
CURT KROSTA
RALPH A. MATSON
LOWELL MCGANN
BOB SPERLING
KEVIN SULLIVAN
RICHARD TEIXEIRA
LINDA TUXON
JACQUELYN C. WILLIAMS

VICE PRESIDENTS

GAIL ALLEN
GREG BARRINGTON
ANNETTE BRANNING
LENA BRASS
DEREK BRAYBRDCKS
CECIL CAPPS
ROBERT CAPURRO
MELINDA COOK
JOYCE CORRY
SARA COSTELLO
SANDRA DOUGLAS
NANCY ELLIOTT
ROBERT EVANS
KATHLEEN GAFFNEY
JANE GALLO
GARY GARCIA
ROBERT GERBER
CHARLES HAINSWORTH
NANCY HAMER
CONSTANCE HAYNES
DAYLENE HENDRICKS
DAVID HERATY
BARBARA HILL
JAY HINER
JANIE HOLLINGSWORTH
SYLVIA HOOKER
MARCIE IANNACCHIONE
NANCY IRWIN
JOHN JENT
JERILYN JOHNSON
KATHY JUMPER
CAREY KAPLAN
LINDA KIRK
JOSEPH LAIACONA
JOANN LOPEZ
LINDA LOWDER
LORIE LUPD
MICHAEL MARTINEZ
JANE MCKELVIE
CHERYL MCVAY
ANNMARIE MIELKE
TIMOTHY MINOR
DONNA NELSON
KRISTINE OLSEN
VICTOR PAGLIO
JOE PALMAROZZO
CONNIE PHILLIPPS
MICHAEL POLLUCK
DAVID PODSER
DUGAN PULSIPHER
RICHARD RAGER
VARATHAJAN RASIAH
DOUGLAS REIMER
MATTHEW RESLER
ARTHUR K. RIES
JAMES RIMPD
SHIRLEY RODGERS
KENT ROSE
SANDRA SALIBA-DURANTE
CATHERINE SHARP
MARIANN SHEAHAN
BARRY SMITH
SONIA SMITH
SALLY STREM
STEVEN A. STRUNK
JERRY TODD
TAY TOLLEFSEN
RICHARD UNTALAN
FABIAN VINCENT
JOHN WAGNER
JULIE WAGNER
WILLIAM WALDREN
SARAH WALKER

DOUGLAS WARDEN
NICHOLAS WEBBER
RENA WHITEHEAD
TIMOTHY YOUNGMAN
DREW ZIDZIK
GORDON ZUMWALT

**NEVADA STATE BANK
CITY BANKING LOCATIONS ARE:**

BOULDER CITY
CARSON CITY
DAYTON
ELKO
EUREKA
FERNLEY
GARDNERVILLE
HENDERSON
LAS VEGAS
LOVELOCK
MESQUITE
NORTH LAS VEGAS
PAHRUMP
RENO
SPARKS
TONOPAH
WELLS
WENDOVER

**NATIONAL BANK OF ARIZONA
TUCSON, ARIZONA**

CORPORATE OFFICERS

JOHN J. GISI
Chairman of the Board
and Chief Executive Officer
KEITH D. MAID
President and
Chief Operating Officer
JAMES S. LEE
Vice Chairman
JAMES H. LUNDY
Vice Chairman
JAMES D. BRUNER
Executive Vice President
Trust Division Manager
M. P. BRUTINEL
Executive Vice President
DUANE R. FROESCHLE
Executive Vice President
Credit Administration
RICHARD W. KRIVEL
Executive Vice President
Chief Credit Officer
JULIE L. RAYMOND
Executive Vice President
Branch Administrator

BOARD OF DIRECTORS

JOHN J. GISI
Chairman of the Board
and Chief Executive Officer
National Bank of Arizona
Phoenix, Arizona
HUGH M. CALDWELL JR.
Secretary to the Board
National Bank of Arizona
Attorney
Waterfall, Economidis,
Caldwell, Hanshaw &
Villamano P.C.
Tucson, Arizona
DUANE R. FROESCHLE
Executive Vice President
National Bank of Arizona
Tucson, Arizona
RICHARD W. KRIVEL
Executive Vice President
National Bank of Arizona
Tucson, Arizona
JAMES S. LEE
Vice Chairman of the Board
National Bank of Arizona
Phoenix, Arizona
JAMES H. LUNDY
Vice Chairman of the Board
National Bank of Arizona
Phoenix, Arizona
KEITH D. MAID
President and
Chief Operating Officer
National Bank of Arizona
Phoenix, Arizona
JULIE L. RAYMOND
Executive Vice President
National Bank of Arizona
Phoenix, Arizona
HARRIS H. SIMMONS
President and
Chief Executive Officer
Zions Bancorporation
Salt Lake City, Utah
T. DAVID YARNES
Senior Vice President
National Bank of Arizona
Tucson, Arizona

SENIOR VICE PRESIDENTS

SUSAN M. ANDREWS
BENNY J. BENNIGHT
ROBERT E. BLAKEMORE
DEE H. BURTON
STEVEN R. BURTON
DARRELL R. COULTER
LARRY S. DAVIS
CHRISTINA L. FELL
KRISTI FONNESBECK
HARRY H. HARVEY
JUDITH HERBIG
PETER J. HILL
DAVID O. LYDENS
DEBRA MC KEE
BRIAN C. MIDDLETON
MARIE G. "SANDY" MURPHY
KRISTY L. PEREZ
CARL W. REED
THOMAS G. RUMPH
PAT H. SIMMONS
SCOTT B. SUMMERS
COMER WADZECK II
MICHAEL R. WEIGEL
T. DAVID YARNES

VICE PRESIDENTS

AUDREY L. ADAMIC
JEFFREY D. ANDERSON
CARL H. BABBITT
WALTER E. BEHM II
MARK A. BERARD
ROBERT L. BEYEA
ALLISON M. BONAVENTURA
BARBARA J. BODNE
SHANNON E. BRADY
JAMES N. BRICKER II
JERRY L. BROWN
WILLIAM K. CAHN
DENNIS J. CALIK
DWIGHT D. CAMPBELL
SHIRLEY M. CANNON
REID H. CLARK
MARY JANE CONDIT
KRISTINA E. CONTRATTO
DAVID B. COOPER
DEIRDRE S. Cwiklik
SCOTT R. DAVIS
TIMOTHY A. DODT
FELIX J. DURAZO
BARBARA F. DYNES
VALERIE J. EINSELE
J. LANETTE FORD
BRUCE A. FOX
DENNIS M. GAINES
GREGORY J. GEIS
RUTH L. GIOVACCHINI
LARRY GOAD
KENNETH S. GOLDSTEIN
DONICA J. GORRA
TERRY C. GREENE
ANN GUSTAFSON
CURTIS J. HANSEN
RITAMARIE HARPER
CHERYL HOLDRAKER
GABRIELA A. HOLLAND
ROBERT F. JAMISON
DONALD E. JENKS
DAVID O. JOHNSON
KATHRINE J. JOHNSON
THOMAS A. KAUPIE
KENNETH R. KELLANEY
CHRISTOPHER E. KING
COREY R. KING
KATHLEEN A. KING
BRENDA B. KOEDYKER
MICHAEL E. KOLB

GARY E. LACE
CHRISTINA LEE
DAVID E. LINDBECK
SHIRLEY J. LOOS
JOHN P. LORENZEN
PATRICK S. MALLONEE
KAREN L. MARINE
STEPHEN S. MATHER
N. CARDLYN MAXWELL
SHANNA MAYBERRY
SUSAN K. MC ATEE
DENNIS J. MC LAIN
JOHN C. NELSON
JON C. NIMTZ
KIYOKO OTA
L. SUSAN PARKER
JAMES W. PATTERSON
LORRAINE C. PERDUE
LESLIE R. PINTOR
DIANE C. POTTS
STEPHANIE PRUDENCE
NORMAN E. REBENSTORF JR.
KAREN F. RIZK
LINDA L. ROEMER
CYNTHIA J. RONEY
KAREN R. ROUSH
SUSAN L. SCHULL
JAMES J. SHARBAUGH
THOMAS W. SHELBY
D. SCOTT STEMM
WILLIAM L. STRATTAN
ROBERT I. TERRY
DONALD B. THOMAS
DEBRA K. TUCKER
ANITA C. TURK
DENNIS E. VAN
DIRK VANDEVENTER
LARRY R. WALSH
SANDRA R. WITT
MARSHALL D. WONG
JAMIE L. WRIGHT
NELIDA A. YOUNCE
DAVID A. ZANATH

**NATIONAL BANK OF ARIZONA
47 BANKING LOCATIONS IN:**

BENSON
BISBEE
CAREFREE
CHANDLER
COTTONWOOD
DOUGLAS
FLAGSTAFF
FLORENCE
GODDYEARE
GREEN VALLEY
MESA
ORD VALLEY
PAGE
PARKER
PAYSON
PHOENIX
PRESCOTT
PRESCOTT VALLEY
SAFFORD
SAN LUIS
SCOTTSDALE
SEDONA
SIERRA VISTA
SPRINGVILLE
SUN CITY
TEMPE
TUCSON
WELLTON
WILLIAMS
YUMA

**VECTRA BANK COLORADO
DENVER, COLORADO**

CORPORATE OFFICERS

BRUCE K. ALEXANDER
President and
Chief Executive Officer

RICHARD W. LAWRENCE
Chief Financial Officer

R. THAD ALLEN
Credit Policy Officer

SCOTT PAGE
Executive Vice President
Corporate Banking

JOHN JACKSON
Regional President
Southern Colorado

MICHAEL Y. MEGANCK
Regional President
Northern Colorado

JOSEPH J. WOLF
Regional President
Metro Denver

BARBARA ALBRANDT
SVP Human Resources
Director

SUZANNE CLIFT
SVP State Operations
Director

LAUREN O'CONNELL
Director of Marketing

BOARD OF DIRECTORS

BRUCE K. ALEXANDER
Chairman of the Board
Vectra Bank Colorado, N.A.

RICHARD W. LAWRENCE
Board Secretary
Vectra Bank Colorado, N.A.

DAWN P. BOOKHARDT
Principal
Bookhardt & O'Toole
Denver, Colorado

STEPHEN CAVANAGH
President
The Commercial Division
Steamboat Springs, Colorado

MARY GITTINGS CRONIN
President and
Executive Director
The Piton Foundation
Denver, Colorado

GERALD J. DENT
Executive Vice President
Zions Bancorporation
Salt Lake City, Utah

ROBERT D. GREENE
Retired Senior Vice President
Rocky Mountain Division
Safeway Stores, Inc.
Denver, Colorado

GARY LEVINE
President
Merchants Mortgage
Greenwood Village, Colorado

JAMES L. RUMSEY
Financial and
Management Consultant
Former President
Scott Capital Corporation
Denver, Colorado

HARRIS H. SIMMONS
President and
Chief Executive Officer
Zions Bancorporation
Salt Lake City, Utah

TERRENCE F. SMITH
President
Consolidated Equities, Ltd.
Westminster, Colorado

SCOTT R. TIPTON
President
Tipton Enterprises
Cortez, Colorado

JAMES J. TONSO
President
Canon Potato Company
Center, Colorado

J. BEN TRUJILLO
President
JB Trujillo, Inc.
Denver, Colorado

RICHARD B. TUCKER
Chairman
Custom Envelope
Corporation
Denver, Colorado

DAVID A. WOLLARD
Chairman
Emeritus Exemple Healthcare
Denver, Colorado

DAVID A. WOLLARD
Chairman
Emeritus Exemple Healthcare
Denver, Colorado

SENIOR OFFICERS

JOHN A. ABLUTZ
BETTY L. AGA

DAVID S. ALLEY
RUSSELL L. ANDERSON
DIANE E. ANDREWS

JUDY ARNOLD
JERI D. ATKINS
YVONNE J. BACA
ANTHONY R. BAGWELL

CHARLES T. BANTIS
ANNETTE K. BANWART-DELLACROCE
DOUGLAS F. BAUTE
JAMES B. BILLS

PAUL H. BODEK
WILLIAM J. BOYCE
CALLAN D. BORGAS
RICHARD L. BROOKS

STANFORD BROWN
DAVID E. BROYLES
FRANCIS E. CARPID
GREGG D. CARR

JEANA CHISHOLM
JOANN CLARK
VERNON K. COCHRAN
CHARLES R. COFFEY

MARCUS G. COLBERT
STEVE J. COLLIN
KELLY M. CONDON
TERRY W. DARBY

BRIAN P. DEVLIN
GREG E. DIXSON
STACEY L. DEUEL
JACQUELINE ENOCHS

STEVE A. FAJARDO
WILLIAM J. FARIS
LINDA J. FENDER
JOANNE FIELD

DALE G. FULLER
WILLIAM L. GIBSON
STEVEN J. GRIFFITH
THOMAS W. GRIFFITHS

SHIRLEY HANSON
MIMI G. HARDENDORF
TERRY A. HILLMAN
HONORA D. HINTON

DONALD L. HIRSCHFELD
KIRK R. HOFFMAN
KAYLEEN HOLLINES
GARY D. HOPKINS

STEPHEN INGHAM
BARTON F. JONES
SAMUEL J. KEIFFER
MARY K. KELLEY

PETER F. KENWORTHY
JUNE L. KILBURN
STEPHEN P. KLEKOTKA

MARY K. KOZIDL
REBECCA A. LECY
ROBERT S. LENIHAN
DONALD G. LENOCKER

ELLEN P. LIDSKY
LEONARD C. LOVIN
JAMES M. MAHLBERG
MICHAEL R. MALONE

DAVID T. MANLEY
KEITH L. MARSDEN
EDWARD G. MARQUIS
MICHAEL H. MARTINEZ

JOHN A. MARVEL
GWYNNE E. MASSENGILL
KERRY E. MAYOR
LARRY B. MCGEE

ROSE MARY MCKINNEY
LESLIE A. MCNEAL
CAROLYN MEADOWCROFT
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SHARON A. RAYBURN
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STEPHANIE A. REICHERT
KENDALL B. RICHARDS
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JUDITH A. SHDWS
JAMES A. SIMON

KATHY STAFFORD
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KATHLEEN A. STOUT
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DIANE L. TODD
LARRY H. TOPP
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DOUG VANDERZWAAG
VINCENT L. VIGIL

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J. TOM WHITE
PEGGY S. WILLCOX

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KIMBERLY WOODROW
DARREN E. ZUNIGA

**VECTRA BANK COLORADO
56 BRANCH LOCATIONS IN:**

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ALAMOSA
ASPEN
BASALT
BOULDER
BROOMFIELD
CENTER
COLORADO SPRINGS
COMMERCE CITY
CORTEZ
CRIPPLE CREEK
DEL NORTE
DENVER
DOLORES
DURANGO
EL JEBEL
ENGLEWOOD
FEDERAL HEIGHTS
FORT LUPTON
GRAND JUNCTION
GREELEY
HIGHLANDS RANCH
KERSEY
LAKEWOOD
LITTLETON
LONGMONT
MONTROSE
PAGOSA SPRINGS
PALMER PARK
PLATTEVILLE
PUEBLO
SAGUACHE
SNOWMASS VILLAGE
STEAMBOAT SPRINGS
TELLURIDE
THORNTON
WELLINGTON
WESTMINSTER
WHEATRIDGE
WOODLAND PARK

**NEW MEXICO
FARMINGTON**

**THE COMMERCE BANK OF
WASHINGTON, N.A.
SEATTLE, WASHINGTON**

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LAUREN C. JASSNY
Chief Credit Officer
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New York, New York

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Enterprises
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Seattle, Washington

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Mercer Island, Washington

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Community Volunteer
Seattle, Washington

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Chief Executive Officer
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Seattle, Washington

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Salt Lake City, Utah

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Wyvest
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Professor of Finance
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Seattle, Washington

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Bellevue, Washington

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Retired Chief Executive
Officer
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Mercer Island, Washington

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TRELL RDHVVIT

ENTERVAULT, INC.

JEFF WHITING
President

LEXIGN, INC.

DONALD R. BYRNE
President and
Chief Executive Officer

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ALAN RALPHS
President

ZIONS INVESTMENT SECURITIES, INC.

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President and
Senior Vice President
DAVID R. NICHOLS
Corporate Secretary and
Senior Vice President

ZIONS INSURANCE AGENCY, INC.

DAVID A. AIRD
President

ZIONS LIFE INSURANCE COMPANY

ROBERT M. DAUGHERTY
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NEVADA STATE BANK INSURANCE SERVICES

ROBERT M. DAUGHERTY
President

ZIONS MANAGEMENT SERVICES COMPANY

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President, Chief Executive
Officer and Chairman

VICE CHAIRMAN

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GERALD J. DENT
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JOHN ITOKAZU
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B. GEORGE SALOOM
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PAMELA F. WALLIS
JEFF WHITING
MARK R. WILKINSON
GEORGIANNE WILLIAMS
PRESTON A. WOOD
LYNN YOUNG

CORPORATE INFORMATION

EXECUTIVE OFFICES:

One South Main Street
Salt Lake City, Utah 84111
(801) 524-4787

ANNUAL SHAREHOLDERS' MEETING:

Friday, April 26, 2002, 1:30 p.m.
Salt Lake City Marriott
75 South West Temple
Salt Lake City, Utah 84101

TRANSFER AGENT:

Zions First National Bank
Corporate Trust Department
10 East South Temple, 3rd Floor
Salt Lake City, Utah 84111
(801) 524-4624

REGISTRAR:

Zions First National Bank
One South Main Street
Salt Lake City, Utah 84111

AUDITORS:

Ernst & Young LLP
60 East South Temple, Suite 800
Salt Lake City, Utah 84111

NASDAQ NATIONAL MARKET SYMBOL:

ZION

NUMBER OF COMMON SHAREHOLDERS:

6,864 as of December 31, 2001

DIVIDEND REINVESTMENT PLAN:

Shareholders can reinvest their cash dividends in additional shares of our common stock at the market price. Shareholders, as well as brokers and custodians who hold our common stock for clients, can obtain a prospectus of the plan by writing to:

Zions Bancorporation
Dividend Reinvestment Plan
P.O. Box 30880
Salt Lake City, Utah 84130

CREDIT RATINGS:

Moody's Investors Service	
Outlook	Stable
Subordinated Debt	Baa1

Standard & Poor's	
Outlook	Stable
LT Senior Debt	BBB
LT Subordinated Debt	BBB-
Short Term	A2

Fitch	
Outlook	Stable
Senior Unsecured Debt	A-
Subordinated Debt	BBB+
Short Term	F1

OPTION MARKET MAKERS:

Chicago Board Options Exchange
Philadelphia Stock Exchange

SELECTED INDEX MEMBERSHIPS:

S&P 500
S&P Global 100
KBW Bank Sector
Nasdaq Financial 100

INVESTOR RELATIONS:

For financial information about the Corporation – analysts, investors and news media representatives should contact:

Clark B. Hincley
(801) 524-4787

ZIONS BANCORPORATION

NEWS RELEASES:

As a service to our shareholders and prospective investors, copies of the Company's recent news releases can be transmitted at no charge via fax by calling "Company News on Call" at 1-800-758-5804 ext. 988950. This electronic, menu-driven system, a service of PR Newswire, allows callers to receive Zions Bancorporation news releases within minutes of request. Our news releases are also available on our web site at www.zionsbancorporation.com.

INTERNET SITES:

ZIONS BANCORPORATION:

www.zionsbancorporation.com

ZIONS FIRST NATIONAL BANK:

www.zionsbank.com

CALIFORNIA BANK & TRUST:

www.calbanktrust.com

NEVADA STATE BANK:

www.nsbank.com

NATIONAL BANK OF ARIZONA:

www.nbarizona.com

VECTRA BANK COLORADO:

www.vectrabank.com

THE COMMERCE BANK

OF WASHINGTON:

www.tcbwa.com

DIGITAL SIGNATURE TRUST CO.:

www.digsigtrust.com

LEXIGN, INC.:

www.lexign.com

ENTERVault:

www.entervault.com

FIXED INCOME TRADING:

www.oddlot.com

www.govrate.com

Zions Bancorporation (Annual Report 2002)

ZIONS BANCORPORATION
OFFICE OF THE CHAIRMAN

	2002			2001			2000		
	Pretax	After-tax	EPS effect	Pretax	After-tax	EPS effect	Pretax	After-tax	EPS effect
<i>(In millions, except per share amounts)</i>									
Noninterest income:									
Equity securities gains (losses), net:									
Net write-downs of venture capital investments and a minority interest in an investment banking firm	\$ (28.7)	(17.7)	(0.19)	(39.6)	(24.4)	(0.26)	(3.0)	(1.8)	(0.02)
Gains from Concord EPS, Inc. transactions	-	-	-	70.8	42.7	0.46	-	-	-
Gains from sale of First Security Corporation common stock	-	-	-	-	-	-	23.6	14.6	0.17
Impairment loss on First Security Corporation common stock	-	-	-	-	-	-	(96.9)	(59.8)	(0.69)
Subtotal	(28.7)	(17.7)	(0.19)	31.2	18.3	0.20	(76.3)	(47.0)	(0.54)
Noninterest expense:									
Merger related expense	-	-	-	7.3	4.5	(0.05)	45.5	28.2	(0.32)
Restructuring charges	3.3	2.0	(0.02)	-	-	-	-	-	-
Impairment losses on certain long-lived assets	4.9	3.1	(0.03)	-	-	-	-	-	-
Subtotal	8.2	5.1	(0.05)	7.3	4.5	(0.05)	45.5	28.2	(0.32)
Discontinued operations:									
Impairment losses	(28.7)	(22.7)	(0.25)	-	-	-	-	-	-
Cumulative effect adjustments	(35.0)	(32.4)	(0.35)	(11.7)	(7.2)	(0.08)	-	-	-
Total significant unusual items	\$ (100.6)	(77.9)	(0.84)	12.2	6.6	0.07	(121.8)	(75.2)	(0.86)

If the net after-tax effect of these unusual items and prior years goodwill amortization were added to reported net income, a comparable picture of the underlying performance of the Company's community and regional banking business emerges, as summarized in the table below:

<i>(In millions)</i>	2002	2001	2000
Net income as reported	\$ 256.3	283.0	161.7
Total significant unusual items	77.9	(6.6)	75.2
Net income without unusual items	334.2	276.4	236.9
Goodwill amortization, net of tax	-	33.1	25.9
Net income without unusual items and goodwill amortization	\$ 334.2	309.5	262.8

As derived from the above table, net income without unusual items and goodwill amortization increased 8.0% in 2002 from 2001, which increased 17.8% from 2000.

The Company's return on average shareholders' equity was 10.95% for 2002 compared to 13.28% for 2001 and 9.65% for 2000. The return on average assets was 0.97% for 2002 compared with 1.19% for 2001 and 0.74% for 2000.

The net interest margin for 2002 was 4.56% compared to 4.64% for 2001 and 4.27% for 2000. The decreased margin for 2002 is the result of declining interest rates during 2002 coupled with the Company's slightly asset-sensitive position. The margin was also affected modestly by the strong deposit

growth relative to loan growth, particularly in the latter part of 2002, which resulted in funds being invested in lower-yielding money market investments. The increased margin for 2001 resulted primarily from a more attractive balance sheet composition. Average loans and leases for 2002 increased 13.1% to \$18.1 billion, average money market investments increased 29.8% to \$1.2 billion and average securities declined 2.7% to \$3.9 billion. Average interest-bearing deposits increased 9.6% to \$14.1 billion, average noninterest-bearing deposits increased 15.7% to \$4.5 billion, and average borrowed funds increased 9.0% to \$4.9 billion. Taxable-equivalent net interest income for 2002 increased 8.9% to \$1,056.4 million, compared to \$970.0 million for 2001 and \$821.5 million for 2000.

Noninterest income decreased 8.6% to \$376.8 million in 2002 compared to \$412.2 million for 2001. The decrease is due principally to unusual items described in the preceding table. Noninterest expense increased 2.7% to \$858.9 million in 2002. The efficiency ratio, or noninterest expenses, including noncash amortization charges, as a percentage of total taxable-equivalent net revenues was 63.40% for 2002 compared to 61.60% for 2001 and 64.92% for 2000. Excluding the unusual items described in the preceding table and discontinued operations, the efficiency ratio was 58.18% for 2002, 61.34% for 2001 and 61.98% for 2000.

are eliminated in consolidation. Loan growth for ZFNB was 10.8% for 2002 with loans increasing to \$6.7 billion.

As part of its asset/liability management efforts in 2002, the Company, with the mutual agreement of the parties involved, repurchased loans from securitizations. On December 16, 2002, under the terms of a Termination and Release Agreement ("Agreement"), the Amended and Restated Credit Card Transfer and Administration Agreement dated February 8, 2002 and a Receivables Purchase Agreement dated as of February 8, 2002 were terminated with the consent of the parties to the Agreement and a majority of the beneficial interest holders. Credit card receivables in the amount of \$68.5 million were repurchased by ZFNB at fair value under the terms of the Agreement. No gain or loss was recognized as a result of this transaction. On December 20, 2002, under the terms of a Transfer Agreement, the Second Amended and Restated Auto Loan and Lease Purchase Agreement dated as of February 11, 2002 was terminated with the consent of the parties to the Agreement and with the consent of a majority of the beneficial interest holders. Automobile loans in the amount of \$361.7 million were repurchased by ZFNB at fair value under the terms of the Transfer Agreement. No gain or loss was recognized as a result of this transaction.

Also during the fourth quarter of 2002, ZFNB sold to California Bank & Trust \$416.8 million of mortgage loans. Excluding these loan transactions, loan growth for 2002 was 10.5%. Deposits increased 33.8% during the year to \$7.1 billion. At December 31, 2002, deposits included \$960 million of certificates of deposit from California Bank & Trust compared to \$600 million at the end of 2001. Excluding these certificates of deposits, total deposits for ZFNB increased 30.5%. Noninterest income decreased 14.9% to \$199.7 million compared to \$234.8 million for 2001 and \$152.0 million for 2000. Noninterest income for 2001 included \$44.6 million in gains realized from ZFNB's appreciated investment in a nonpublic investee.

For 2002, ZFNB's loan loss provision was \$41.3 million compared to \$41.9 million for 2001 and \$8.2 million for 2000. Nonperforming assets for ZFNB increased to \$62.2 million at December 31, 2002 from \$52.1 million at year-end 2001, including an increase in OREO to \$20.6 million compared to \$3.8 million at the end of 2001. Accruing

loans past due 90 days or more decreased to \$19.8 million at year-end 2002 compared to \$25.0 million at the end of 2001. Net loan and lease charge-offs for 2002 were \$38.5 million compared to \$22.6 million for 2001.

Noninterest expense for 2002 increased 8.1% compared to 2001, reflecting increased costs to originate and service the bank's strong loan and deposit growth. The increase in net income for 2001 compared to 2000 resulted mainly from the 2001 gains recognized from the investment in a non-public investee previously discussed. Also as previously discussed, during 2002 ZFNB completed a sale of an e-commerce subsidiary, DST, in exchange for an approximate 33% ownership interest in Identrus, LLC, a corporate joint venture. After-tax operating losses from ZFNB's investment in Identrus and DST were \$6.1 million for 2002 compared to losses from DST of \$12.7 million for 2001 and \$8.8 million for 2000.

CALIFORNIA BANK & TRUST

Results of operations for California Bank & Trust ("CB&T") for the years presented are influenced by an acquisition accounted for as a purchase during 2001. See Note 3 of the Notes to Consolidated Financial Statements for further information about the acquisition.

Net income for CB&T increased 24.8% to \$120.1 million for 2002, compared to \$96.2 million for 2001 and \$74.1 million for 2000. In 2002, net loans and leases increased 7.4% to \$6.1 billion and deposits increased 2.9% to \$7.0 billion from year-end 2001. Excluding the \$416.8 million in mortgage loans purchased from ZFNB in the fourth quarter of 2002, net loans increased 0.1%. Net interest income for 2002 increased 9.9% from 2001 to \$377.9 million while other noninterest income decreased 14.0% to \$78.4 million. Noninterest income for 2001 included \$26.2 million of gains realized from CB&T's appreciated investment in a nonpublic investee.

For 2002, CB&T increased its loan loss provision to \$17.0 million compared to \$9.2 million for 2001. No provision was recorded in 2000. Nonperforming assets for CB&T decreased to \$19.3 million at year-end 2002 compared to \$32.6 million at December 31, 2001. Net loan and lease charge-offs for 2002 were \$14.3 million compared to \$11.5 million for 2001. Noninterest expense decreased 5.4% for

National Bank of Arizona			Vetr: Bank Colorado			The Commerce Bank of Washington			Other			Consolidated Company		
2002	2001	% Change	2002	2001	% Change	2002	2001	% Change	2002	2001	% Change	2002	2001	% Change
\$ 116.0	103.0	13%	\$ 110.7	86.4	28%	\$ 24.6	21.8	13%	\$ (15.2)	(21.9)	31%	\$1,035.1	949.8	9%
19.1	16.1	19	34.2	27.5	24	1.7	1.2	42	15.6	17.7	(12)	376.8	412.2	(9)
135.1	119.1	13	144.9	113.9	27	26.3	23.0	14	0.4	(4.2)	110	1,411.9	1,362.0	4
2.0	1.5	33	5.0	9.4	(47)	1.1	1.3	(15)	0.8	(0.2)	500	71.9	73.2	(2)
69.0	64.1	8	100.1	94.2	6	10.3	9.4	10	49.3	49.8	(1)	858.9	836.1	3
64.1	53.5	20	39.8	10.3	286	14.9	12.3	21	(49.7)	(53.8)	8	481.1	452.7	6
25.5	21.4	19	14.2	6.9	106	5.3	4.2	26	(23.3)	(33.3)	30	167.7	161.9	4
-	-	-	-	-	-	-	-	-	(2.5)	(5.7)	(56)	(3.7)	(7.8)	(53)
38.6	32.1	20	25.6	3.4	653	9.6	8.1	19	(23.9)	(14.8)	(61)	317.1	298.6	6
-	-	-	-	-	-	-	-	-	(28.4)	(8.4)	(238)	(28.4)	(8.4)	(238)
38.6	32.1	20	25.6	3.4	653	9.6	8.1	19	(52.3)	(23.2)	(125)	288.7	290.2	(1)
-	-	-	-	-	-	-	-	-	(32.4)	-	-	(32.4)	(7.2)	(350)
\$ 38.6	32.1	20%	\$ 25.6	3.4	653%	\$ 9.6	8.1	19%	\$ (84.7)	(23.2)	(265)%	\$ 256.3	283.0	(9)%
\$ 2,925	2,606	12%	\$ 2,768	2,639	5%	\$ 648	529	22%	\$ (1,793)	(897)	(100)%	\$ 26,566	24,304	9%
1,979	1,796	10	1,918	1,850	4	321	294	9	129	86	50	19,040	17,311	10
32	29	10	33	33	-	5	4	25	1	-	-	280	260	8
74	68	9	252	255	(1)	-	-	-	-	71	(100)	813	880	(8)
721	580	24	477	424	13	79	66	20	(26)	(9)	(189)	5,117	4,481	14
2,487	2,193	13	1,911	1,764	8	459	382	20	(1,160)	(728)	(59)	20,132	17,842	13
233	211	10	441	439	-	45	38	18	(178)	(192)	7	2,374	2,281	4
1.44%	1.33%		0.97%	0.15%		1.72%	1.59%					0.97%	1.19%	
17.96%	16.49%		5.81%	0.86%		23.28%	22.57%					10.95%	13.28%	
50.84%	53.49%		68.60%	82.11%		38.83%	40.53%					63.40%	61.60%	
833	754		912	1,007		54	56		1,345	1,459		8,073	8,124	
53	47		54	55		1	1		-	-		332	326	
-	-		4	4		-	-		-	-		83	86	
-	-		-	-		-	-		-	-		1	1	
53	47		58	59		1	1		-	-		416	413	
52	45		133	135		-	-		-	-		588	589	

million in 2001 and \$7.9 million in 2000. Earnings for 2002 include \$5.1 million of income included in net interest income allocated under a program initiated by the Company in 2002 as discussed previously. Net loans and leases increased 9.0% from year-end 2001 to \$321 million at year-end 2002 and deposits increased 20.2% to \$459 million. The provision for loan and lease losses was \$1.1 million for 2002, compared to \$1.3 million for 2001 and \$0.8 million in 2000. Nonperforming assets for Commerce increased to \$4.3 million at December 31, 2002, compared to \$3.4 million at December 31, 2001. Net loan and lease charge-offs for 2002 were \$0.8 million, compared to \$0.4 million for 2001.

OTHER

Other includes the Parent and other various nonbanking subsidiaries including certain e-commerce and other investment activities. Net losses in the Other category were \$84.7 million for 2002, compared to losses of \$23.2 million for 2001 and losses of \$83.5 million for 2000. The increased loss for 2002 relates primarily to losses of discontinued e-commerce subsidiaries previously discussed and a \$32.4 million charge for the cumulative effect adjustment related to goodwill impairment in the e-commerce subsidiaries; see Note 9 of the Notes to Consolidated Financial Statements. The decreased net loss for 2001, compared to 2000, of \$60.3 million is mainly due to the recognition during 2000 of a \$96.9 million pretax impairment loss on First Security Corporation common stock and \$31.0 million of pretax merger expense mainly related to the terminated First

Security Corporation merger, offset in part by gains of \$23.6 million from the subsequent sale of the First Security Corporation common stock.

In 2002 the Company took a number of actions to revalue and restructure its e-commerce activities in light of continued disappointing results and a difficult market environment. In May 2002 the Company completed the sale of its DST subsidiary to Identrus, LLC for a 33% ownership position in Identrus. DST was a U.S. market leader in providing public key infrastructure ("PKI") digital signatures for on-line identity authentication. However, market adoption of this technology has been slow. Identrus, a company owned by a global consortium of banks, also provides PKI standards and infrastructure. By selling DST to Identrus, the Company was able to cut its operating losses from this business activity by almost two-thirds, while retaining an ability to benefit financially if the market for identity authentication services develops.

In support of its PKI activities, in 2000 and 2001 the Company acquired several software companies with the objective of hastening the adoption of digital signatures by developing applications using them. These acquisitions became the Company's subsidiaries, Lexign, Inc. and Phaos Technology Corp. Market declines in the value of all similar software companies led the Company to recognize valuation impairments related to these subsidiaries upon the adoption of SFAS 142 in 2002. More importantly, after the sale of DST, the Company no longer had a strategic rationale to continue the development of digital signature appli-

compared to 70.2% for 2001 and 81.0% for 2000. As previously discussed, each of the three years contains unusual or nonrecurring items which had a significant effect on these percentages.

The Company's taxable-equivalent net interest income increased by 8.9% to \$1,056.4 million in 2002 compared to \$970.0 million in 2001 and \$821.5 million in 2000. The increased level of taxable-equivalent net interest income was driven by a 10.8% and 8.8% growth in average earning assets for 2002 and 2001, respectively.

The net interest margin, the ratio of taxable-equivalent net interest income to average earning assets, was 4.56% in 2002, 4.64% in 2001 and 4.27% in 2000. The decreased margin for 2002 is the result of declining interest rates during 2002 coupled with the Company's slightly asset-sensitive position. The margin was also affected by the strong deposit growth relative to loan growth for 2002, which resulted in funds being invested in lower-yielding money market investments, particularly in the second half of the year. The significant increase in the margin for 2001 resulted primarily from a more attractive balance sheet composition as well as a major decrease in interest rates, which increased interest income from derivatives used to hedge the portfolio. Average loans and leases increased 13.1% to \$18.1 billion for 2002, while average securities declined 2.7% to \$3.9 billion, average money market investments increased 29.8% to \$1.2 billion, average interest-bearing deposits increased 9.6% to \$14.1 billion and average borrowed funds increased 9.0% to \$4.9 billion.

Schedule 2 analyzes the average balances, the amount of interest earned or paid, and the applicable rates for the various categories of earning assets and interest-bearing funds that represent the components of taxable-equivalent net interest income. Schedule 3 analyzes the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years shown. In the schedules, the principal amounts of nonaccrual and renegotiated loans have been included in the average loan balances used to determine the rate earned on loans. Interest income on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. Interest on restructured loans is generally accrued at reduced rates.

The incremental tax rate used for calculating the taxable-equivalent adjustment was 35% for all years presented.

2000			1999			1998		
Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
\$ 1,061	67.4	6.35%	\$ 1,185	67.2	5.67%	\$ 1,629	92.3	5.67%
3,254	222.1	6.85	3,277	204.6	6.24	2,271	154.8	6.82
685	44.8	6.53	741	42.4	5.72	849	48.6	5.72
574	36.3	6.32	538	30.1	5.59	430	24.0	5.58
4,513	303.2	6.72	4,556	277.1	6.08	3,550	227.4	6.41
192	14.5	7.52	178	12.2	6.85	202	14.3	7.08
13,457	1,259.2	9.36	11,641	1,019.0	8.75	7,430	708.8	9.54
15,649	1,273.7	9.33	11,819	1,031.2	8.72	7,632	723.1	9.47
19,223	1,644.3	8.55	17,560	1,375.5	7.83	12,811	1,042.8	8.14
826			856			657		
(203)			(211)			(132)		
572			574			515		
76			81			58		
1,228			1,052			488		
\$ 21,722			\$ 19,912			\$ 14,397		
\$ 1,783	40.0	2.24	\$ 1,812	44.1	2.43	\$ 1,338	39.4	2.94
6,210	289.4	4.66	5,521	203.6	3.69	3,712	134.5	3.62
1,719	87.7	5.10	2,085	98.5	4.72	1,651	85.7	5.19
1,408	80.4	5.71	1,257	61.1	4.86	894	49.3	5.51
138	6.3	4.56	165	7.2	4.36	182	8.2	4.51
11,258	503.8	4.48	10,840	414.5	3.82	7,777	317.1	4.08
311	19.7	6.32	271	15.6	5.76	202	10.0	4.95
2,747	159.7	5.81	2,369	108.5	4.58	1,908	90.5	4.74
316	20.7	6.55	194	10.8	5.57	28	1.6	5.71
1,161	76.2	6.56	545	28.5	5.23	63	4.0	6.35
140	8.5	6.06	76	4.8	6.32	114	6.6	5.79
429	34.2	7.98	453	35.1	7.75	347	29.1	8.39
5,104	319.0	6.25	3,908	203.3	5.20	2,662	141.8	5.33
16,362	822.8	5.03	14,748	617.8	4.19	10,439	458.9	4.40
3,316			3,249			2,448		
329			316			196		
20,007			18,313			13,083		
40			37			9		
1,675			1,562			1,305		
\$ 21,722			\$ 19,912			\$ 14,397		
		3.52%			3.64%			3.74%
	821.5	4.27%		757.7	4.31%		583.9	4.56%

PROVISION FOR LOAN LOSSES

The provision for loan losses reflects management's judgment of the expense to be recognized in order to maintain an adequate allowance for loan losses. See the discussion on allowance for loan losses under Risk Elements. The provision for loan losses was \$71.9 million in 2002 compared to \$73.2 million in 2001 and \$31.8 million in 2000. The provision was .40% of average loans for 2002, .46% in 2001 and .23% for 2000. The increased provision for loan losses for 2002 and 2001 relative to 2000 reflects management's evaluation of its various portfolios, higher loan losses, statistical trends and other economic factors, and its desire to maintain a strong coverage of nonperforming assets in a

continued uncertain economic environment in the markets in which it operates.

NONINTEREST INCOME

Noninterest income comprised 26.3% of net taxable-equivalent revenues in 2002 compared to 29.8% in 2001 and 19.0% in 2000. Noninterest income was \$376.8 million in 2002, a decrease of 8.6% from \$412.2 for 2001, which was up 114.0% over \$192.6 million in 2000. As previously discussed and further described in the following analysis, each of the three years contains unusual or nonrecurring items, which had a significant effect on these percentages. Schedule 4 shows the major components of noninterest income.

SCHEDULE 4 NONINTEREST INCOME

(Amounts in millions)	2002	Percent change	2001	Percent change	2000	Percent change	1999	Percent change	1998
Service charges on deposit accounts	\$ 119.0	17.8%	\$ 101.0	29.0%	\$ 78.3	2.0%	\$ 76.8	25.7%	\$ 61.1
Loan sales and servicing income	70.1	(27.6)	96.8	87.2	51.7	27.7	40.5	(19.6)	50.4
Other service charges, commissions and fees	81.2	11.2	73.0	12.1	65.1	(1.5)	66.1	16.0	57.0
Trust income	18.5	1.1	18.3	0.5	18.2	15.2	15.8	43.6	11.0
Income from securities conduit	20.3	65.0	12.3	6,050.0	0.2	-	-	-	-
Dividends and other investment income	35.5	25.4	28.3	4.8	27.0	51.7	17.8	57.5	11.3
Market making, trading and nonhedge derivative income	39.0	14.4	34.1	237.6	10.1	(12.2)	11.5	25.0	9.2
Equity securities gains (losses), net	(25.3)	(168.0)	37.2	68.3	22.1	(49.9)	44.1	-	-
Fixed income securities gains (losses), net	0.4	110.5	(3.8)	(860.0)	0.5	105.1	(9.9)	(341.5)	4.1
Impairment loss on First Security Corporation common stock	-	-	-	(100.0)	(96.9)	-	-	-	-
Other income	18.1	20.7	15.0	(8.0)	16.3	297.6	4.1	(35.9)	6.4
Total	\$ 376.8	(8.6)%	\$ 412.2	114.0%	\$ 192.6	(27.8)%	\$ 266.8	26.7%	\$ 210.5

As reflected in Schedule 4, service charges for 2002 compared to 2001 increased 17.8% and 2001 service charges increased 29.0% compared to 2000. The increases for both years are mainly the result of the strong deposit growth experienced by the Company and the effect of acquisitions consummated during 2001.

The \$26.7 million decrease in loan sales and servicing income for 2002 compared to 2001 results from the Company recording a write-down of approximately \$13.6 million during 2002 on capitalized excess servicing related to an auto securitization nonhedge derivative transaction. The \$13.6 million fair value of a swap entered into in this transaction was recorded as an asset, and nonhedge derivative income was increased by this amount. The year 2001

included a gain of \$12.1 million on the sale of small business loans. See Note 6 of the Notes to Consolidated Financial Statements for additional information on the Company's securitization programs.

Other service charges, commissions and fees, which include investment, brokerage and fiscal agent fees, fees from ATM usage, insurance commissions, merchant fee income and other miscellaneous fees, increased \$8.2 million to \$81.2 million, or 11.2% from 2001 and increased 12.1% from 2000. The increases for both years are largely attributable to increased fees from ATM usage and from the Company's municipal finance operations driven in part by the low interest rate environment.

SCHEDULE 5

EXPENSES

(Amounts in millions)	2002	Percent change	2001	Percent change	2000	Percent change	1999	Percent change	1998
Salaries and employee benefits	\$ 478.0	10.4%	\$ 432.9	24.3%	\$ 348.3	0.5%	\$ 346.7	32.6%	\$ 261.5
Occupancy, net	68.6	7.9	63.6	23.0	51.7	4.7	49.4	47.9	33.4
Furniture and equipment	63.4	4.3	60.8	15.4	52.7	16.1	45.4	18.5	38.3
Legal and professional services	25.4	(17.0)	30.6	55.3	19.7	21.6	16.2	(0.6)	16.3
Postage and supplies	27.6	(0.7)	27.8	26.9	21.9	(4.4)	22.9	-	22.9
Advertising	20.6	(7.6)	22.3	(12.2)	25.4	37.3	18.5	46.8	12.6
Merger related expense	-	(100.0)	7.3	(84.0)	45.5	64.3	27.7	(27.3)	38.1
Restructuring charges	3.3	-	-	-	-	-	-	-	-
Impairment losses on long-lived assets	4.9	-	-	-	-	-	-	-	-
Amortization of goodwill	-	(100.0)	31.5	20.2	26.2	6.9	24.5	21.9	20.1
Amortization of core deposit and other intangibles	13.4	4.7	12.8	11.3	11.5	(1.7)	11.7	(0.8)	11.8
Other expenses	153.7	4.9	146.5	23.7	118.4	(0.3)	118.8	16.5	102.0
Total	\$ 858.9	2.7%	\$ 836.1	15.9%	\$ 721.3	5.8%	\$ 681.8	22.4%	\$ 557.0

2002 and 2001. The Company also increased staffing in 2002 to prepare for planned conversions of all subsidiary banks to common operating platforms. Employee benefit costs for both 2002 and 2001 also increased significantly, because of increased retirement plan expenses and employee health plan cost increases, as shown below:

(Amounts in millions)	2002	Percent change	2001	Percent change	2000
Salaries and bonuses	\$ 403.4	10.1%	\$ 366.3	20.0%	\$ 305.2
Benefits:					
Employee health and insurance	26.5	22.7	21.6	46.9	14.7
Retirement	20.2	11.6	18.1	293.5	4.6
Payroll taxes and other	27.9	3.7	26.9	13.0	23.8
Total benefits	74.6	12.0	66.6	54.5	43.1
Total salaries and employee benefits	\$ 478.0	10.4%	\$ 432.9	24.3%	\$ 348.3

Legal and professional services decreased \$5.2 million compared to 2001, which were up \$10.9 million from 2000. The large increase for 2001 resulted mainly from increased expenditures related to consolidating back-office functions, enhancing e-commerce and other technological capabilities, legal and accounting fees related to the nonpublic investee transactions, and other projects to improve operational efficiencies and enhance revenues. Expenses remained relatively high for 2002 as the Company continued its efforts to consolidate back-office functions and initiated projects to streamline operations and improve procurement functions.

The increases in occupancy, furniture and equipment expense and other expenses for 2002 compared to 2001 reflect the effects of the 2002 and 2001 acquisitions, the significant internal growth experienced by the Company, upgrades to back-office facilities in preparation for the conversion to common operating platforms for all subsidiary banks, and increased expenditures in selected areas to enhance revenue growth. The significant increases in occupancy and furniture and equipment expense for 2001 compared to 2000 resulted primarily from the addition of office facilities, installation of personal computers and local area networks, and expenses related to technology initiatives including Internet security and authentication systems. The decreases in advertising expense for 2002 and 2001 reflect a return to more normal levels of advertising following a year of significantly increased expenditures in 2000 to reestablish the Company's presence in critical markets subsequent to the terminated merger with First Security Corporation.

During 2002, the Company incurred restructuring charges of \$3.3 million related to several cost saving steps taken by the Company, as part of its announced intent, discussed previously, to take \$50 million out of the annual run-rate of expenses. These included branch closings in Utah and Colorado, and restructuring of trust operations and administrative functions. The Company also incurred impairment losses of \$4.9 million during 2002 on certain software related to e-commerce activity. These losses also were related to

SCHEDULE 6
INVESTMENT SECURITIES PORTFOLIO

(Amounts in millions)	December 31,					
	2002		2001		2000	
	Amortized cost	Estimated market value	Amortized cost	Estimated market value	Amortized cost	Estimated market value
HELD TO MATURITY:						
U.S. Treasury securities	\$ -	-	-	-	1	1
U.S. government agencies and corporations:						
Small Business Administration						
loan-backed securities	-	-	-	-	560	563
Other agency securities	-	-	-	-	1,269	1,285
States and political subdivisions	-	-	-	-	292	296
Mortgage-backed securities	-	-	79	80	1,003	1,008
	-	-	79	80	3,125	3,153
AVAILABLE FOR SALE:						
U.S. Treasury securities	44	47	61	63	51	52
U.S. government agencies and corporations:						
Small Business Administration						
loan-backed securities	752	756	674	674	-	-
Other agency securities	299	302	769	781	94	94
States and political subdivisions	640	645	505	514	185	190
Mortgage/asset-backed and other debt securities	1,187	1,208	960	969	274	273
	2,922	2,958	2,969	3,001	604	609
Equity securities:						
Mutual funds	317	321	266	267	159	160
Stock	15	25	10	16	18	13
	332	346	276	283	177	173
	3,254	3,304	3,245	3,284	781	782
Total	\$ 3,254	3,304	3,324	3,364	3,906	3,935

SCHEDULE 7
MATURITIES AND AVERAGE YIELDS ON SECURITIES
ON DECEMBER 31, 2002

(Amounts in millions)	Total securities		Within one year		After one but within five years		After five but within ten years		After ten years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*
AVAILABLE FOR SALE:										
U.S. Treasury securities	\$ 44	4.9%	\$ 24	3.3%	\$ 20	6.8%	-		-	
U.S. government agencies and corporations:										
Small Business Administration										
loan-backed securities	752	4.6	170	4.6	379	4.6	\$ 153	4.6%	\$ 50	4.6%
Other agency securities	299	4.9	112	1.8	12	5.8	16	7.4	159	6.8
States and political subdivisions	640	8.1	89	7.6	175	7.9	204	8.1	172	8.5
Mortgage/asset-backed and other debt securities	1,187	5.8	256	5.8	584	5.8	250	5.8	97	5.8
	2,922	5.9	651	5.0	1,170	5.8	623	6.3	478	7.0
Equity securities:										
Mutual funds	317	2.1	212	1.0	-		-		105	4.4
Stock	15	-	-		-		-		15	-
	332	2.0	212	1.0	-		-		120	3.9
Total	\$ 3,254	5.5%	\$ 863	4.0%	\$ 1,170	5.8%	\$ 623	6.3%	\$ 598	6.3%

*Taxable-equivalent rates used where applicable.

SCHEDULE 8

LOAN PORTFOLIO BY TYPE AND MATURITY

(Amounts in millions)	December 31, 2002			Total	December 31, 2001
	One year or less	One year through five years	Over five years		
Loans held for sale	\$ 5	118	166	289	298
Commercial lending:					
Commercial and industrial	2,062	1,330	732	4,124	3,921
Leasing	25	248	111	384	421
Owner occupied	337	451	2,230	3,018	2,344
Total commercial lending	2,424	2,029	3,073	7,526	6,686
Commercial real estate:					
Construction	2,028	848	71	2,947	2,874
Term	372	1,146	1,657	3,175	3,027
Total commercial real estate	2,400	1,994	1,728	6,122	5,901
Consumer:					
Home equity credit line	90	27	534	651	401
1-4 family residential	288	352	2,569	3,209	3,173
Bankcard and other revolving plans	95	109	1	205	126
Other	150	655	195	1,000	707
Total consumer	623	1,143	3,299	5,065	4,407
Foreign loans	-	2	3	5	14
Other receivables	108	14	4	126	107
Total loans	\$ 5,560	5,300	8,273	19,133	17,413
Loans maturing in more than one year:					
With fixed interest rates		\$ 2,478	3,246	5,724	
With variable interest rates		2,822	5,027	7,849	
Total		\$ 5,300	8,273	13,573	

During 2002 the Company changed the classification of loans to more appropriate presentation categories. Information to reclassify the loans to the new categories for periods prior to 2001 is not available.

(Amounts in millions)	December 31,		
	2000	1999	1998
Loans held for sale	\$ 181	205	232
Commercial, financial and agricultural	3,615	3,036	2,844
Loans secured by real estate:			
Construction	2,273	1,722	960
Other:			
Home equity credit line	263	232	232
1-4 family residential	2,911	2,503	2,207
Other real estate-secured	4,190	4,168	3,894
	9,637	8,625	7,293
Consumer:			
Bankcard and other revolving plans	135	107	99
Other	472	490	472
	607	597	571
Lease financing	317	275	214
Foreign loans	26	53	44
Other receivables	75	62	72
Total loans	\$ 14,458	12,853	11,270

OTHER NONINTEREST BEARING INVESTMENTS

At December 31, 2002, the Company had \$602 million of other noninterest bearing investments compared to \$616 million at December 31, 2001. At year-end 2002, these investments included \$348 million of bank-owned life insurance, \$94 million of Federal Home Loan Bank and Federal Reserve stock, \$71 million of investments in non-

public ventures through four Small Business Investment Companies and \$89 million of investments in other unconsolidated publicly traded and nonpublic companies accounted for using the equity method of accounting.

The following table presents certain information regarding the publicly traded companies accounted for using the equity method:

			December 31, 2002		
(Amounts in millions)	Symbol	Exchange	Carrying value	Market value	Unrealized gain (loss)
COMPANY					
Federal Agricultural Mortgage Corporation (Farmer Mac)	AGM/A	NYSE	\$ 4	7	3
Federal Agricultural Mortgage Corporation (Farmer Mac)	AGM	NYSE	20	46	26
ICAP plc (Garban - Intercapital PLC)	IAPL	London Stock Exchange	32	92	60
MACC Private Equities, Inc.	MACC	NASDAQ	3	2	(1)
Total publicly traded equity investments			\$ 59	147	88

DEPOSITS AND BORROWED FUNDS

Total deposits increased 12.8% to \$20,132 million on December 31, 2002, as compared to \$17,842 million on December 31, 2001. Comparing December 31, 2002 to December 31, 2001, demand deposits increased 14.2% and savings and money market deposits increased 22.6%. Time deposits under \$100,000 decreased 14.0% and time deposits \$100,000 and over decreased 15.8%.

As derived from Schedule 2, total average deposits increased 11.0% to \$18,602 million in 2002 from \$16,754 million in 2001. Average noninterest-bearing deposits increased 15.7%, average savings and NOW deposits increased 24.0%, and average money market and super NOW deposits increased 14.0%. Average time deposits under \$100,000 decreased 3.7% and average time deposits \$100,000 and over decreased 10.4% from 2001.

See Notes 11, 12 and 13 of the Notes to Consolidated Financial Statements and the discussion under Liquidity Risk Management for information on borrowed funds.

CAPITAL

The Company's basic financial objective is to consistently produce superior risk-adjusted returns on its shareholders' capital. The Company believes that a strong capital position is vital to continued profitability and to promote depositor and investor confidence. The Company's goal is to steadily achieve a high return on shareholders' equity, while at the same time maintaining "risk-based capital" of not less than

the "well-capitalized" threshold, as defined by federal banking regulators. See Note 20 of the Notes to Consolidated Financial Statements for additional information on risk-based capital.

Total shareholders' equity on December 31, 2002 was \$2,374 million, an increase of 4.1% over total shareholders' equity of \$2,281 million on December 31, 2001. The Company's capital ratios are as follows at December 31, 2002 and 2001:

	December 31,	
	2002	2001
Tangible common equity ratio	6.06%	5.98%
Average common equity to average assets	8.90	8.95
Risk-based capital ratios:		
Tier 1 leverage	7.56	6.56
Tier 1 risk-based capital	9.26	8.25
Total risk-based capital	12.94	12.20

The Company repurchased and retired 2,393,881 shares of its common stock at a cost of \$113.2 million in 2002, 883,240 shares at a cost of \$46.5 million in 2001 and 80,174 shares at a cost of \$3.9 million in 2000. At December 31, 2002, the Company had authorization to repurchase an additional \$27.6 million of common stock under its share repurchase program.

The U.S. federal bank regulatory agencies' risk-capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision (the "BIS"). The

COMMERCIAL REAL ESTATE PORTFOLIO BY PROPERTY TYPE AND COLLATERAL LOCATION
 REPRESENTS PERCENTAGES BASED UPON OUTSTANDING COMMERCIAL REAL ESTATE LOANS
 ON DECEMBER 31, 2002

Collateral Location	Arizona	Northern California	Southern California	Nevada	Colorado	Utah	Washington	Other	Total	Product as % of loan type	Product as % of total CRE
<i>Commercial term:</i>											
Industrial	1.24%	0.56	2.51	0.04	0.34	0.28	0.12	0.29	5.37	10.2	5.4
Office	2.18	1.17	3.00	3.08	1.80	1.77	0.18	0.38	13.56	25.7	13.6
Retail	2.09	1.51	4.27	1.25	0.71	0.42	0.10	0.69	11.03	20.9	11.0
Hotel/motel	0.91	0.45	1.10	0.57	0.60	1.27	0.21	1.25	6.37	12.1	6.4
A&D	0.55	0.02	0.09	0.20	0.27	0.23	0.12	0.08	1.56	3.0	1.6
Medical	0.82	0.03	0.80	0.64	0.12	0.14	0.00	0.00	2.55	4.8	2.6
Recreation/restaurant	0.45	0.21	0.32	0.16	0.09	0.06	0.00	0.12	1.42	2.7	1.4
Multifamily	0.60	0.28	1.37	0.62	0.56	0.92	0.19	0.31	4.86	9.2	4.9
Other	0.70	0.52	1.43	0.90	0.58	1.01	0.06	0.85	6.04	11.4	6.0
Total commercial term	9.55	4.75	14.89	7.45	5.06	6.11	0.99	3.97	52.77	100.0	52.8
<i>Residential construction:</i>											
Single family housing	3.74	0.78	3.21	0.70	2.91	3.77	0.58	0.70	16.40	34.7	16.4
Land acquisition & development	2.15	1.62	1.90	0.22	0.47	0.28	0.18	0.50	7.32	15.5	7.3
Total residential construction	5.89	2.41	5.10	0.92	3.39	4.05	0.75	1.20	23.72	50.2	23.7
<i>Commercial construction:</i>											
Industrial	0.56	0.00	0.36	0.26	0.48	0.18	0.01	0.26	2.11	4.5	2.1
Office	0.46	0.92	1.93	0.99	0.41	1.15	0.61	0.11	6.58	13.9	6.6
Retail	1.87	0.00	1.50	1.99	0.15	0.87	0.36	0.10	6.83	14.5	6.8
Hotel/motel	0.00	0.44	0.28	0.29	0.12	0.21	0.21	0.16	1.71	3.6	1.7
A&D	0.43	0.18	0.27	0.60	0.08	0.19	0.11	0.03	1.88	4.0	1.9
Medical	0.30	0.00	0.19	0.03	0.00	0.04	0.01	0.00	0.57	1.2	0.6
Recreation/restaurant	0.05	0.00	0.19	0.00	0.00	0.00	0.00	0.00	0.24	0.5	0.2
Other	0.03	0.01	0.12	0.20	0.21	0.11	0.15	0.05	0.87	1.8	0.9
Apartments	0.58	0.11	0.75	0.00	0.62	0.00	0.09	0.55	2.72	5.8	2.7
Total commercial construction	4.29	1.67	5.59	4.35	2.08	2.74	1.55	1.26	23.51	49.8	23.5
Total construction	10.18	4.07	10.69	5.27	5.46	6.80	2.30	2.46	47.23	100.0	47.2
Total commercial real estate	19.73%	8.82	25.58	12.72	10.52	12.90	3.29	6.43	100.00		

Note: Excludes approximately \$223 million of unsecured loans outstanding, but related to the real estate industry.

SCHEDULE 10

NONPERFORMING ASSETS

(Amounts in millions)	December 31,	
	2002	2001
Nonaccrual loans:		
Commercial lending:		
Commercial and industrial	\$ 29	40
Leasing	11	6
Owner occupied	14	18
Commercial real estate:		
Construction	7	12
Term	4	20
Consumer:		
Real estate	11	9
Other	4	2
Other	2	2
Restructured loans:		
Commercial real estate:		
Construction	1	1
Term	1	-
Other real estate owned:		
Commercial, financial and agricultural:		
Improved	23	4
Unimproved	3	2
Residential, 1-4 Family	6	4
Total	\$ 116	120
% of net loans and leases* and other real estate owned	0.61%	0.69%
Accruing loans past due 90 days or more:		
Commercial lending	\$ 13	22
Commercial real estate	10	13
Consumer	12	11
Other receivables	2	-
Total	\$ 37	46
% of net loans* and leases	0.20%	0.27%

During 2002 the Company changed the classification of loans to more appropriate presentation categories. Information to reclassify the loans to the new categories for periods prior to 2001 is not available.

ALLOWANCE FOR LOAN LOSSES

In analyzing the adequacy of the allowance for loan losses, management utilizes a comprehensive loan grading system to determine risk potential in the portfolio, and considers the results of independent internal and external credit reviews. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type. Historical loss experience factors by segment, adjusted for changes in trends and conditions, are used in determining the required allowance for each segment. Historical loss factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific portfolio segment. Other considerations such as volumes and trends of

(Amounts in millions)	December 31,		
	2000	1999	1998
Nonaccrual loans:			
Commercial, financial and agricultural	\$ 20	29	12
Real estate	34	34	39
Consumer	2	1	1
Lease financing	2	1	3
Other	-	-	-
Restructured loans:			
Commercial, financial and agricultural	2	-	-
Real estate	1	1	5
Other real estate owned:			
Commercial, financial and agricultural:			
Improved	6	5	-
Unimproved	2	3	-
Residential, 1-4 Family	2	1	2
Other	-	-	3
Total	\$ 71	75	65
% of net loans* and leases, other real estate owned and other nonperforming assets	0.49%	0.58%	0.58%
Accruing loans past due 90 days or more:			
Commercial, financial and agricultural	\$ 8	4	5
Real estate	18	15	20
Consumer	1	2	1
Total	\$ 27	21	26
% of net loans* and leases	0.19%	0.16%	0.23%

* Includes loans held for sale.

delinquencies, nonaccruals, repossessions and bankruptcies, criticized and classified loan trends, current and anticipated foreclosure losses, new products and policies, economic conditions, concentrations of credit risk, and experience and abilities of lending personnel are also considered in establishing the loss factors.

All loans graded substandard or doubtful in the amount of \$500 thousand or more are individually evaluated based on facts and circumstances of the loan, and a specific allowance amount may be designated. Specific allowances may also be established for loans in amounts below the specified thresholds when it is determined that the risk differs significantly from factor amounts established for the category.

SCHEDULE 12

SUMMARY OF LOAN LOSS EXPERIENCE

<i>(Amounts in millions)</i>	2002	2001
Loans* and leases outstanding on December 31, (net of unearned income)	\$ 19,040	17,311
Average loans* and leases outstanding (net of unearned income)	\$ 18,114	16,015
Allowance for loan losses:		
Balance at beginning of year	\$ 260	196
Allowance of companies acquired	1	30
Allowance associated with repurchased revolving securitized loans	10	-
Provision charged against earnings	72	73
Loans and leases charged-off:		
Commercial lending	(54)	(37)
Commercial real estate	(10)	(4)
Consumer	(20)	(14)
Total	(84)	(55)
Recoveries:		
Commercial lending	14	11
Commercial real estate	3	1
Consumer	4	4
Total	21	16
Net loan and lease charge-offs	(63)	(39)
Balance at end of year	\$ 280	260
Ratio of net charge-offs to average loans and leases	0.35%	0.24%
Ratio of allowance for loan losses to loans and leases outstanding on December 31,	1.47%	1.50%
Ratio of allowance for loan losses to nonperforming loans on December 31,	332.37%	236.65%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more on December 31,	234.14%	168.23%

During 2002 the Company changed the classification of loans to more appropriate presentation categories. Information to reclassify the loans to the new categories for periods prior to 2001 is not available.

<i>(Amounts in millions)</i>	2000	1999	1998
Loans* and leases outstanding on December 31, (net of unearned income)	\$ 14,378	12,791	11,219
Average loans* and leases outstanding (net of unearned income)	\$ 13,649	11,819	7,632
Allowance for loan losses:			
Balance at beginning of year	\$ 204	213	89
Allowance of companies acquired	2	3	126
Provision charged against earnings	32	18	14
Loans and leases charged-off:			
Commercial, financial and agricultural	(38)	(32)	(9)
Real estate	(4)	(3)	(6)
Consumer	(9)	(9)	(9)
Lease financing	(2)	(2)	(1)
Total	(53)	(46)	(25)
Recoveries:			
Commercial, financial and agricultural	6	6	3
Real estate	1	7	3
Consumer	3	3	3
Lease financing	1	-	-
Total	11	16	9
Net loan and lease charge-offs	(42)	(30)	(16)
Balance at end of year	\$ 196	204	213
Ratio of net charge-offs to average loans and leases	0.31%	0.25%	0.21%
Ratio of allowance for loan losses to loans and leases outstanding on December 31,	1.36%	1.60%	1.89%
Ratio of allowance for loan losses to nonperforming loans on December 31,	320.69%	310.87%	354.94%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more on December 31,	229.35%	238.07%	264.20%

* Includes loans held for sale.

est rate environment changes; therefore, positions at the end of any period may not be reflective of the Company's position in any subsequent period.

At year-end 2002, the Company's duration of equity was estimated to be within a range of negative 2.0 years and positive 0.6 years. Duration of equity is highly sensitive to the assumptions used for deposits with no maturities, such as checking, savings, and money market accounts. Given the uncertainty of these durations, management now views the duration of equity as falling within a range of possibilities. If interest rates were to sustain an immediate parallel increase of 200 basis points, the duration of equity would be estimated to fall within the range of negative 0.8 years and positive 1.6 years.

For income simulation, Company policy requires that net interest income not be expected to decline by more than 10% during one year if rates were to immediately rise or fall in parallel by 200 basis points. At year-end 2002, net interest income was expected to increase 2.7% if interest rates were to sustain an immediate parallel increase of 200 basis points and decline 9.0% if rates were to sustain an immediate parallel decrease of 200 basis points. It should be noted

that LIBOR and U.S. Treasury rates with maturities six months and less were below 2% at year-end 2002; in the scenario of interest rates decreasing 200 basis points, rates were not permitted to fall below .1%. At year-end 2001, net interest income was expected to increase 3.8% if rates were to increase in parallel 200 basis points and decline 10.0% if rates were to decrease in parallel 200 basis points. These estimates include management's assumptions regarding loan and deposit pricing, security and loan prepayments, and changing relationships to market rates.

At year-end the one-year gap for the Company was positive \$566 million; i.e., the \$16,545 million of assets that mature or reprice during 2002 was greater than the sum of \$15,034 million of liabilities and the negative \$945 million net effect of derivative instruments that mature or reprice during the same period. This gap represented 2.1% of total assets. Details of the repricing characteristics of the balance sheet as of year-end are presented in Schedule 13. The Company does not have policy limits regarding its gap position, nor does it utilize "gap analysis" in its asset-liability management; it utilizes simulation and duration analyses described earlier. Hence, the following table is presented for information only.

SCHEDULE 14**INTEREST RATE SWAP MATURITIES AND AVERAGE RATES**

<i>(Amounts in millions)</i>	2003	2004	2005	2006	2007	Thereafter	Total
Receive fixed rate/pay variable rate:							
Notional amount	\$ 186	500	848	123	152	63	1,872
Weighted average rate received	6.85%	5.42%	4.53%	5.63%	5.86%	5.87%	5.22%
Weighted average rate paid	1.66%	1.65%	1.58%	3.90%	3.56%	3.87%	2.00%
Receive variable rate/pay fixed rate:							
Notional amount	\$ 100	475	250	-	-	-	825
Weighted average rate received	1.42%	1.61%	1.58%	-	-	-	1.58%
Weighted average rate paid	4.90%	4.48%	4.46%	-	-	-	4.52%

LIQUIDITY RISK MANAGEMENT

The Company manages its liquidity to provide adequate funds to meet its anticipated financial obligations, including withdrawals by depositors and debt service requirements, as well as to fund customers' demand for credit. Liquidity is provided primarily by the regularly scheduled maturities of the Company's investment and loan portfolios.

The Federal Home Loan Bank ("FHLB") system is a major source of liquidity for each of the Company's subsidiary banks. Zions First National Bank and The Commerce Bank of Washington are members of the FHLB of Seattle. California Bank & Trust, Nevada State Bank, and National Bank of Arizona are members of the FHLB of San Francisco. Vectra Bank Colorado is a member of the FHLB of Topeka. The FHLB allows member banks to borrow against their eligible loans to satisfy liquidity requirements.

As another source of liquidity, the Company's core deposits, consisting of demand, savings and money market deposits and time deposits under \$100,000, constituted 92.1% of total deposits on December 31, 2002, as compared to 89.9% on December 31, 2001.

Maturing balances in loan portfolios provide flexibility in managing cash flows. Maturity management of those funds is an important source of medium to long-term liquidity. The Company's ability to raise funds in the capital markets through the securitization process and by debt issuance provides the Company additional flexibility in meeting funding needs.

On August 21, 2002, the Company sold \$285 million of 8.00% Capital Securities issued by a newly formed subsidiary of the Company, Zions Capital Trust B (the "Trust"). The Capital Securities represent undivided beneficial owner-

ship interests in the assets of the Trust (consisting of junior subordinated debentures issued by the Company). Holders of the Capital Securities are entitled to receive cumulative cash distributions at an annual rate of 8.00%. The cash distributions, which are payable quarterly in arrears beginning December 1, 2002, match the timing and amount of the Company's interest obligations on the junior subordinated debentures. The Company has unconditionally guaranteed the payment of all amounts due on the Capital Securities to the extent the Trust has funds available for the payment of such amounts. The Company can, on one or more occasions, defer the quarterly interest payments on the junior subordinated debentures for up to five years. This would also have the effect of deferring payments on the Capital Securities. The Capital Securities are scheduled to be redeemed on September 1, 2032 and can be redeemed in whole or in part on or after September 1, 2007 or upon certain changes in tax laws and regulations or in the treatment of the Capital Securities for bank regulatory purposes. The Capital Securities, junior subordinated debentures and the guarantee were registered with the Securities and Exchange Commission in August 2002 and are traded on the New York Stock Exchange (ticker "ZBPRB").

During the third quarter of 2002, the Company also filed a prospectus supplement with the Securities and Exchange Commission for the issuance of up to \$340 million of Senior Medium-Term Notes, Series A and Subordinated Medium-Term Notes, Series B. The Company may issue such debt from time to time with the terms of each note issuance to be specified in a pricing supplement filed with the Securities and Exchange Commission. At December 31, 2002, the Company had issued \$46 million of Senior Medium-Term Notes. These notes are listed on the NYSE Bond Exchange.

Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends, all of which may be susceptible to significant change. See the sections on Credit Risk Management, Allowance for Loan Losses and Provision for Loan Losses, and Notes 1 and 5 of the Notes to Consolidated Financial Statements for a description of the methodology used by the Company to determine the required allowance for loan losses, a discussion of risks associated with the process, and additional information regarding the allowance and associated provision.

NONMARKETABLE SECURITIES

The Company, both directly and through its Small Business Investment Corporation ("SBIC") and banking subsidiaries, has investments in venture capital securities. These nonmarketable venture capital securities are reported at estimated fair values in the absence of readily ascertainable fair values. Management believes that the cost of an investment is initially the best indication of estimated fair value unless there have been significant subsequent positive or negative developments that justify an adjustment to the fair value estimate. As of December 31, 2002, the carrying value of these securities, which are classified in other noninterest bearing investments, was approximately \$71 million. The Company's portion of any losses incurred on these investments would be reduced by minority interests in the SBICs. The values assigned to these securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Although management believes its estimates of fair value reasonably reflect the fair value of these securities, key assumptions regarding the projected financial performance of these companies, the evaluation of the investee company's management team, and other economic and market factors may not necessarily reflect those of an active market for these investments. If there had been an active market for these securities at year-end, the carrying value may have been significantly different than the amounts reported. See Notes 1 and 4 of the Notes to Consolidated Financial

Statements for additional information regarding these investments.

RELATED PARTIES

At December 31, 2002, transactions with related parties are limited to loan and deposit relationships and other transactions in the ordinary course of business. As discussed in Note 14 of the Notes to the Consolidated Financial Statements, during 2001 the Company reacquired a minority interest in its subsidiary California Bank & Trust from the former CEO and certain senior officers of that subsidiary.

FORWARD-LOOKING INFORMATION

Statements in Management's Discussion and Analysis that are not based on historical data are forward-looking, including, for example, the projected performance of the Company and its operations. These statements constitute forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from the projections discussed in Management's Discussion and Analysis since such projections involve significant risks and uncertainties. Factors that might cause such differences include, but are not limited to: the timing of closing proposed acquisitions being delayed or such acquisitions being prohibited; competitive pressures among financial institutions increasing significantly; economic conditions, either nationally or locally in areas in which the Company conducts its operations, being less favorable than expected; and legislation or regulatory changes which adversely affect the Company's operations or business. The Company disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders of Zions Bancorporation

We have audited the accompanying consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zions Bancorporation and subsidiaries at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Notes 1 and 9 to the financial statements, effective January 1, 2002, Zions Bancorporation and subsidiaries adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*.

Ernst & Young LLP

Salt Lake City, Utah
January 23, 2003

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

(In thousands, except per share amounts)

	2002	2001	2000
Interest income:			
Interest and fees on loans	\$ 1,227,358	1,292,955	1,236,588
Interest on loans held for sale	9,437	13,080	14,477
Lease financing	20,589	22,805	17,222
Interest on money market investments	18,625	34,879	67,353
Interest on securities:			
Held to maturity - taxable	2,292	3,361	196,917
Held to maturity - nontaxable	-	-	16,398
Available for sale - taxable	128,622	169,224	33,792
Available for sale - nontaxable	26,889	24,713	7,147
Trading account	22,107	30,903	36,289
Total interest income	1,455,919	1,591,920	1,626,183
Interest expense:			
Interest on savings and money market deposits	164,594	251,570	329,373
Interest on time and foreign deposits	114,128	187,712	174,460
Interest on borrowed funds	142,055	202,874	318,972
Total interest expense	420,777	642,156	822,805
Net interest income	1,035,142	949,764	803,378
Provision for loan losses	71,879	73,191	31,811
Net interest income after provision for loan losses	963,263	876,573	771,567
Noninterest income:			
Service charges on deposit accounts	118,994	101,033	78,269
Loan sales and servicing income	70,153	96,754	51,741
Other service charges, commissions and fees	81,175	72,996	65,102
Trust income	18,479	18,298	18,205
Income from securities conduit	20,317	12,262	213
Dividends and other investment income	35,469	28,299	27,037
Market making, trading and nonhedge derivative income	39,029	34,136	10,065
Equity securities gains (losses), net	(25,316)	37,239	22,107
Fixed income securities gains (losses), net	358	(3,781)	470
Impairment loss on First Security Corporation common stock	-	-	(96,911)
Other	18,156	14,952	16,324
Total noninterest income	376,814	412,188	192,622
Noninterest expense:			
Salaries and employee benefits	478,028	432,937	348,293
Occupancy, net	68,627	63,600	51,671
Furniture and equipment	63,429	60,830	52,704
Legal and professional services	25,347	30,532	19,707
Postage and supplies	27,582	27,753	21,888
Advertising	20,577	22,344	25,416
Merger related expense	-	7,348	45,492
Restructuring charges	3,349	-	-
Impairment losses on long-lived assets	4,942	-	-
Amortization of goodwill	-	31,526	26,173
Amortization of core deposit and other intangibles	13,379	12,770	11,508
Other	153,668	146,453	118,433
Total noninterest expense	858,928	836,093	721,285
Income from continuing operations before income taxes and minority interest	481,149	452,668	242,904
Income taxes	167,702	161,867	79,661
Minority interest	(3,660)	(7,798)	1,534
Income from continuing operations	317,107	298,599	161,709

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

(In thousands, except share amounts)	Common stock		Accumulated other comprehensive income (loss)			Subtotal	Retained earnings	Total shareholders' equity
	Shares	Amount	Net unrealized gains (losses) on investments and retained interests	Net unrealized gains (losses) on derivative instruments	Minimum pension liability			
BALANCE, DECEMBER 31, 1999	85,592,643	\$ 888,231	(4,158)	-	-	(4,158)	775,765	1,659,838
Comprehensive income:								
Net income							161,709	161,709
Other comprehensive income, net of tax:								
Net realized and unrealized holding losses during the year, net of income tax benefit of \$31,088			(50,187)	-	-	(50,187)		
Reclassification for net realized losses recorded in operations, net of income tax benefit of \$31,406			50,701	-	-	50,701		
Other comprehensive income			514	-	-	514		514
Total comprehensive income								162,223
Cash dividends—common, \$.89 per share							(76,762)	(76,762)
Issuance of common shares for acquisitions	1,202,593	13,103					14,172	27,275
Stock redeemed and retired	(80,174)	(3,899)						(3,899)
Stock options exercised, net of shares tendered and retired	385,126	10,169						10,169
BALANCE, DECEMBER 31, 2000	87,100,188	907,604	(3,644)	-	-	(3,644)	874,884	1,778,844
Comprehensive income:								
Net income							283,020	283,020
Other comprehensive income, net of tax:								
Net realized and unrealized holding gains during the year, net of income tax expense of \$20,859			33,675	-	-	33,675		
Reclassification for net realized gains recorded in operations, net of tax income expense of \$7,132			(11,516)	-	-	(11,516)		
Net unrealized gains on derivative instruments, net of reclassification to operations of \$20,757 and income tax expense of \$4,281			-	6,911	-	6,911		
Cumulative effect of change in accounting principle, adoption of SFAS 133, net of income tax expense of \$21,245			13,259	21,266	-	34,525		
Other comprehensive income			35,418	28,177	-	63,595		63,595
Total comprehensive income								346,615
Cash dividends—common, \$.80 per share							(73,899)	(73,899)
Issuance of common shares for acquisitions	5,404,872	231,295					25,699	256,994
Stock redeemed and retired	(883,240)	(46,462)						(46,462)
Stock options exercised, net of shares tendered and retired	586,916	18,777						18,777
BALANCE, DECEMBER 31, 2001	92,208,736	\$1,111,214	31,774	28,177	-	59,951	1,109,704	2,280,869

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

(In thousands)

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 256,278	283,020	161,709
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle, net of tax	32,369	7,159	-
Impairment losses	33,633	-	-
Provision for loan losses	71,879	73,191	31,811
Depreciation of premises and equipment	59,131	56,076	50,186
Amortization	37,906	63,538	64,786
Accretion of unearned income and fees, net of related costs	(9,944)	15,412	16,983
Income (loss) to minority interest	(3,660)	(7,798)	1,534
Equity securities losses (gains), net	25,316	(37,239)	(22,107)
Fixed income securities losses (gains), net	(358)	3,781	(470)
Impairment loss on First Security Corporation common stock	-	-	96,911
Proceeds from sales of trading account securities	245,115,891	202,892,909	184,357,455
Increase in trading account securities	(245,344,605)	(202,281,198)	(184,310,020)
Proceeds from sales of loans held for sale	566,643	609,576	533,285
Increase in loans held for sale	(558,183)	(726,376)	(509,644)
Net gains on sales of loans, leases and other assets	(38,530)	(69,702)	(36,240)
Change in accrued income taxes	27,565	20,911	30,078
Change in accrued interest receivable	37,608	(1,329)	(34,447)
Change in other assets	(123,506)	(104,498)	(122,577)
Change in other liabilities	87,918	46,758	16,222
Change in accrued interest payable	(5,660)	(12,475)	11,342
Other, net	8,374	11,661	12,390
Net cash provided by operating activities	276,065	843,377	349,187
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in money market investments	(250,759)	377,387	(348)
Proceeds from maturities of investment securities held to maturity	1,415	12,964	881,175
Purchases of investment securities held to maturity	(29,400)	(29,347)	(663,948)
Proceeds from sales of investment securities available for sale	10,081,114	7,072,531	1,245,192
Proceeds from maturities of investment securities available for sale	1,860,299	2,591,160	134,785
Purchases of investment securities available for sale	(11,830,782)	(9,067,706)	(1,442,094)
Proceeds from sales of loans and leases	1,380,430	1,753,195	1,175,687
Securitized loans repurchased	(430,164)	-	-
Net increase in loans and leases	(2,679,817)	(3,250,280)	(2,665,154)
Payments on leveraged leases	(9,160)	(8,012)	(8,125)
Principal collections on leveraged leases	9,160	8,012	8,125
Proceeds from sales of premises and equipment	10,037	13,056	12,079
Purchases of premises and equipment	(97,821)	(91,924)	(82,288)
Proceeds from sales of other assets	21,683	23,431	13,927
Net cash received for acquisitions	9,690	209,509	11,886
Net cash paid for net liabilities on branches sold	(68,352)	-	-
Net cash used in investing activities	(2,022,427)	(386,024)	(1,379,101)

ZIONS BANCORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

Zions Bancorporation ("the Parent") is a financial holding company headquartered in Salt Lake City, Utah, which provides a full range of banking and related services through its subsidiaries operating primarily in Utah, Idaho, California, Nevada, Arizona, Colorado and Washington.

BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of Zions Bancorporation and its subsidiaries ("the Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and prevailing practices within the financial services industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates.

SECURITY RESELL AGREEMENTS

Security resell agreements represent overnight and term agreements, the majority maturing within 30 days. These agreements are generally treated as collateralized financing transactions and are carried at amounts at which the securities were acquired plus accrued interest. Either the Company or, in some instances, third parties on behalf of the Company take possession of the underlying securities. The market value of such securities is monitored throughout the contract term to ensure that asset values remain sufficient to protect against counterparty default. The Company is permitted by contract to sell or repledge certain securities it accepts as collateral for security resell agreements. If sold, the Company's obligation to return the collateral is recorded as a liability and included

in the consolidated balance sheet as "Securities sold, not yet purchased." As of December 31, 2002, the Company held approximately \$445 million of securities for which it was permitted by contract to sell or repledge. The majority of these securities have been either pledged or otherwise transferred to others in connection with the Company's financing activities, or to satisfy its commitments under short sales. Security resell agreements averaged approximately \$1,099 million during 2002, and the maximum amount outstanding at any month-end during 2002 was \$2,074 million.

INVESTMENT SECURITIES

The Company classifies its securities according to their purpose and holding period. Gains or losses on the sale of securities are recognized using the specific identification method and recorded in noninterest income.

Held to maturity debt securities are stated at cost, net of unamortized premiums and unaccreted discounts. Upon purchase, the Company has the intent and ability to hold such securities to maturity. When Statement of Financial Accounting Standards ("SFAS") 133, *Accounting for Derivative Instruments and Hedging Activities*, issued by the Financial Accounting Standards Board ("FASB"), was adopted on January 1, 2001, the Company transferred substantially all held to maturity securities to either the available for sale or trading categories. See additional discussion in Note 7.

At December 31, 2002, all debt securities being held for investment and all marketable equity securities that are not being accounted for under the equity method of accounting are classified as available for sale and are reported at fair value, with unrealized gains and losses, after applicable taxes, reported as a component of other comprehensive income. Any declines in the value of debt securities and marketable equity securities that are considered other than temporary are recorded in noninterest income.

Securities acquired for short-term appreciation or other trading purposes are classified as trading securities and are recorded at fair value. Realized and unrealized gains and

ment. Historical loss factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific portfolio segment. Other considerations such as volumes and trends of delinquencies, nonaccruals, repossessions and bankruptcies, criticized and classified loan trends, current and anticipated foreclosure losses, new products and policies, economic conditions, and concentrations of credit risk are also considered in establishing the loan loss factors.

All loans graded substandard or doubtful in the amount of \$500 thousand or more are individually evaluated based on facts and circumstances of the loan and a specific allowance amount may be designated. Specific allowances may also be established for loans in amounts below the specific thresholds when it is determined that the risk differs significantly from factor amounts established for the category.

Although management has allocated a portion of the allowance to specific loan categories using the methods described, the adequacy of the allowance must be considered in its entirety. To mitigate the imprecision in most estimates of expected credit losses, the allocated component of the allowance may be supplemented by an unallocated component. This is accomplished by assigning high and low loss ranges for each portfolio segment reflecting management's best estimates of exposure to risk of loss. The unallocated portion of the allowance incorporates management's judgmental determination of the amounts necessary for subjective factors such as economic uncertainties and concentration risks. Accordingly, the relationship of the unallocated component to the total allowance for loan losses may fluctuate from period to period.

NONMARKETABLE SECURITIES

Nonmarketable securities are included in other noninterest bearing investments on the Company's balance sheet. Nonmarketable securities include certain venture capital securities and securities acquired for various debt and regulatory requirements. Nonmarketable venture capital securities are reported at estimated fair values, in the absence of readily ascertainable market values. Changes in fair value and gains and losses from sales are recognized in noninterest income. The values assigned to the securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will

ultimately be realized. Such estimated amounts depend on future circumstances and will not be realized until the individual securities are liquidated. The valuation procedures applied include consideration of economic and market conditions, current and projected financial performance of the investee company, and the investee company's management team. Management believes that the cost of an investment is initially considered the best indication of estimated fair value unless there have been significant subsequent positive or negative developments that justify an adjustment in the fair value estimate. Other nonmarketable securities acquired for various debt and regulatory requirements are accounted for at cost.

ASSET SECURITIZATIONS

When the Company sells receivables in securitizations of home equity loans, small business loans, and nonconforming residential real estate loans, it may retain a cash reserve account, an interest-only strip, and in some cases a subordinated tranche, all of which are retained interests in the securitized receivables. Gain or loss on sale of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer. Quoted market prices are generally not available for retained interests. To obtain fair values, the Company estimates the present value of future expected cash flows using management's best judgment of key assumptions, including credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation, computed primarily on the straight-line method, is charged to operations over the estimated useful lives of the properties, generally from 25 to 40 years for buildings and 3 to 10 years for furniture and equipment. Leasehold improvements are amortized over the terms of respective leases or the estimated useful lives of the improvements, whichever are shorter.

GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Goodwill results from acquisitions made by the Company and represents the excess of the purchase price over the fair value of net assets and other identifiable intangible assets

The fair values of stock options granted were estimated at the date of grant using a Black-Scholes option-pricing model. Using the option-pricing model, the per-share weighted average fair value of stock options granted during 2002, 2001 and 2000 was \$11.54, \$14.89, and \$13.09, respectively. The following table summarizes assumptions used in applying the Black-Scholes option-pricing model to compute the estimated impact of employee compensation costs on net income and earnings per share for options granted:

	2002	2001	2000
Weighted average of fair value for options granted	\$11.54	\$14.89	\$13.09
Weighted average assumptions used:			
Expected dividend yield	1.8%	1.5%	1.5%
Expected volatility	26.5%	32.6%	32.5%
Risk-free interest rate	3.77%	4.44%	6.36%
Expected life (in years)	3.8	3.9	3.8

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

NET INCOME PER COMMON SHARE

Diluted net income per common share is based on the weighted average outstanding common shares during each year, including common stock equivalents. Basic net income per common share is based on the weighted average outstanding common shares during each year.

2. OTHER RECENT ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities*. FIN 46 provides guidance on identifying a variable interest entity ("VIE") and determining when the assets, liabilities, non-controlling interests, and results of operations of a VIE are

to be included in a company's consolidated financial statements. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The disclosure provisions of FIN 46 became effective upon issuance. At December 31, 2002, Zions First National Bank ("ZFNBB") held variable interests in securitization structures, as discussed in Note 6. All such structures are qualified special purpose entities that are exempt from the consolidation requirements of FIN 46. The Company is currently assessing the impact, if any, that FIN 46 will have on the results of operations and financial position as it applies to other areas within the Company.

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. This Interpretation expands the disclosures by a guarantor about its obligations under certain guarantees and requires recognition of a liability for the fair value of an obligation assumed under a guarantee. In general, FIN 45 applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or equity security of the guaranteed party. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of FIN 45, including, among others, guarantees relating to employee compensation, residual value guarantees under capital lease arrangements, commercial letters of credit, loan commitments, subordinated interests in a special purpose entity, and guarantees of a company's own future performance. Other guarantees are subject to the disclosure requirements of FIN 45, but not to the recognition provisions and include, among others, a guarantee accounted for as a derivative instrument under SFAS 133, a parent's guarantee of debt owed to a third party by its subsidiary or vice versa, and a guarantee which is based on performance and not price. The disclosure requirements of FIN 45 are effective for the Company as of December 31, 2002, and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are to be applied prospectively to guaran-

merce solutions. They were subsequently merged into Internet Commerce Express, Inc., and in October 2001 the name was changed to Lexign, Inc.

Prior to July 1, 2001, the Company made the following acquisitions:

In April 2001, the Company acquired, in a purchase transaction, the Arizona operations of Pacific Century Bank, a subsidiary of Pacific Century Financial Corporation. The Company purchased approximately \$231 million in loans, assumed approximately \$447 million in deposits, acquired branch facilities with accompanying personnel, and received cash to satisfy assumed deposits. Goodwill and core deposit intangibles amounted to approximately \$48.3 million.

On March 30, 2001, the Company acquired Eldorado Bancshares, Inc. ("Eldorado"), based in Laguna Hills, California, and its banking subsidiaries, Eldorado Bank and Antelope Valley Bank. Consideration consisted of 3.3 million shares of the Company's common stock. Eldorado had assets of approximately \$1.3 billion and shareholders' equity of approximately \$128 million. The acquisition was accounted for as a purchase, and accordingly, the Company's financial statements reflect combined operations from the date of acquisition. Goodwill amounted to approximately \$105.7 million. The pro forma effect on prior period results of operations was not significant.

In January 2001, the Company acquired Draper Bancorp, based in Draper, Utah, and its banking subsidiary, Draper Bank, in exchange for approximately 1.4 million shares of the Company's common stock. Draper Bancorp had assets of approximately \$242 million and shareholders' equity of approximately \$26 million. The acquisition was accounted for as a pooling of interests and was not considered material to the historical results of the Company and, accordingly, the Company's financial statements were not restated.

On July 28, 2000, the Company completed the acquisition of County Bank, headquartered in Prescott, Arizona, in exchange for approximately 1.1 million shares of the Company's common stock. County Bank had assets of approximately \$247 million and total shareholders' equity of \$23 million. The acquisition was accounted for as a pooling of interests and was not considered material to the historical

results of the Company and, accordingly, the Company's financial statements were not restated.

Merger related expenses of \$45.5 million in 2000 include \$6.2 million of severance and other employee benefits, \$5.1 million of equipment and occupancy expense, \$9.7 million of integration of business operations, \$6.2 million of integration of information systems, \$12.8 million of legal and other professional fees, and \$5.5 million of other integration costs. Of these expenses, approximately \$40.5 million relate to the termination of a merger with First Security Corporation. Also included in operations for 2000 are a pretax impairment loss on First Security Corporation common stock of \$96.9 million recognized during the first quarter of the year and gains of \$23.6 million from the subsequent sale of the common stock.

4. INVESTMENT SECURITIES

Investment securities as of December 31, 2002 are summarized as follows (*in thousands*):

	Available for sale			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
U.S. Treasury securities	\$ 44,388	2,532	5	46,915
U.S. government agencies and corporations:				
Small Business Administration loan-backed securities	752,139	4,877	1,245	755,771
Other agency securities	299,445	3,391	970	301,866
States and political subdivisions	639,607	8,642	2,580	645,669
Mortgage/asset-backed and other debt securities	1,186,623	25,031	3,523	1,208,131
	2,922,202	44,473	8,323	2,958,352
Equity securities:				
Mutual funds	317,309	3,351	94	320,566
Stock	14,651	12,255	1,483	25,423
	\$ 3,254,162	60,079	9,900	3,304,341

5. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are summarized as follows at December 31 (in thousands):

	2002	2001
Loans held for sale	\$ 289,499	297,959
Commercial lending:		
Commercial and industrial	4,123,558	3,921,203
Leasing	384,271	421,519
Owner occupied	3,017,475	2,344,346
Total commercial lending	7,525,304	6,687,068
Commercial real estate:		
Construction	2,946,887	2,874,491
Term	3,175,366	3,026,694
Total commercial real estate	6,122,253	5,901,185
Consumer:		
Home equity credit line	650,770	400,781
1-4 family residential	3,208,953	3,172,873
Bankcard and other revolving plans	204,714	125,577
Other	999,906	707,293
Total consumer	5,064,343	4,406,524
Foreign loans	5,241	13,770
Other receivables	125,865	106,938
Total loans	\$ 19,132,505	17,413,444

As of December 31, 2002 and 2001, loans with a carrying value of \$1,679 million and \$1,732 million, respectively, were included as blanket pledges of security for Federal Home Loan Bank advances. As of December 31, 2002 and 2001, amounts borrowed from Federal Home Loan Banks were \$225 million and \$228 million, respectively.

The Company sold loans during 2002, 2001 and 2000 totaling \$567 million, \$610 million and \$533 million, respectively, that were classified as held for sale. Income from loans sold, excluding servicing, of both loans held for sale and loan securitizations was \$48.2 million in 2002, \$80.3 million in 2001, and \$40.5 million in 2000.

Changes in the allowance for loan losses are summarized as follows (in thousands):

	2002	2001	2000
Balance at beginning of year	\$ 260,483	195,535	204,114
Allowance for loan losses of companies acquired	1,010	30,178	1,961
Additions:			
Provision for loan losses	71,879	73,191	31,811
Allowance associated with repurchased revolving securitized loans	9,874	-	-
Recoveries	20,679	16,139	10,290
Deductions:			
Loan charge-offs	(84,332)	(54,560)	(52,641)
Balance at end of year	\$ 279,593	260,483	195,535

The Company's total recorded investment in impaired loans was \$44 million and \$80 million at December 31, 2002 and 2001, respectively. Impaired loans of \$20 million at both December 31, 2002 and 2001 required an allowance of \$7 million and \$18 million, respectively, which is included in the allowance for loan losses. Contractual interest due and interest foregone on impaired loans were \$7.3 million and \$5.8 million, respectively, for 2002, \$12.0 million and \$5.9 million, respectively, for 2001, and \$9.1 million and \$6.7 million, respectively, for 2000. The average recorded investment in impaired loans was \$69 million in 2002, \$61 million in 2001, and \$57 million in 2000.

At December 31, 2002 and 2001, the allowance for loan losses includes an allocation of \$10 million and \$8 million, respectively, related to commitments to extend credit for which the Company could separate the credit risk from that of any related loans on the balance sheet and for standby letters of credit.

Credit risk includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. Concentrations of credit risk from financial instruments (whether on- or off-balance sheet) occur when groups of customers or counterparties having similar economic characteristics are unable to meet contractual obligations when similarly affected by changes in economic or other conditions. The Company limits its exposure to any individual customer or counterparty.

Most of the Company's business activity is with customers located in the states of Utah, Idaho, California, Nevada, Arizona, Colorado, and Washington. The commercial loan portfolio is well diversified, consisting of 11 major industry classification groupings. As of December 31, 2002, the larger concentrations of risk in the commercial loan and leasing portfolio are represented by the real estate, construction, business services and transportation industry groupings. The Company has minimal credit exposure from lending transactions with highly leveraged entities. See discussion in Note 19 regarding commitments to extend additional credit.

6. ASSET SECURITIZATIONS

The Company adopted SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, effective December 31, 2000. This Statement relates to the transfer and servicing of financial assets and

Key economic assumptions used for measuring the retained interests at the date of securitization for sales during 2002, 2001 and 2000 are as follows:

	Automobile loans	Credit card receivables	Home equity loans	Small business loans	Jumbo mortgage loans
2002:					
Prepayment method	ABS	ABS	CPR	CPR	
Annualized prepayment speed	16.2%	5.0%	54.2%	15.0%	
Weighted average life (in months)	18	3	14	59	
Expected annual net loss rate	1.25%	4.50%	0.25%	0.50%	
Residual cash flows discounted at	15.0%	15.0%	15.0%	15.0%	
2001:					
Prepayment method	ABS	ABS	ABS	CPR	CPR
Annualized prepayment speed	16.2%	5.0%	7.0%	5, 10, 15 Ramp up	50.0%
Weighted average life (in months)	18	3	25	68	17
Expected annual net loss rate	1.25%	4.50%	0.25%	0.50%	0.25%
Residual cash flows discounted at	15.0%	15.0%	15.0%	15.0%	15.0%
2000:					
Prepayment method	ABS	ABS	ABS	CPR	
Annualized prepayment speed	16.2%	5.0%	4.0%	4, 8, 12 Ramp up	
Weighted average life (in months)	18	3	33	67	
Expected annual net loss rate	1.00%	4.50%	0.25%	0.50%	
Residual cash flows discounted at	12.0%	12.0%	12.0%	12.0%	

Certain cash flows between the Company and the securitization trusts are summarized as follows (in millions):

	2002	2001	2000
Proceeds from new securitizations	\$ 442	728	494
Proceeds from loans sold into revolving securitizations	616	539	413
Proceeds from collections reinvested in previous credit card securitizations	218	227	170
Servicing fees received	16	12	8
Other cash flows received on retained interests ¹	104	73	30
Repurchase of securitizations	(430)	-	-
	\$ 966	1,579	1,115

¹ Represents total cash flows received from retained interests other than servicing fees. Other cash flows include cash from interest-only strips and cash above the minimum required level in cash collateral accounts.

Beginning in 2001, the Company began recognizing interest income on retained interests in securitizations in accordance with the provisions of Emerging Issues Task Force Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets*. Interest income thus recognized on retained interests in securitizations, excluding revolving securitizations, was \$21.0 million in 2002 and \$9.2 million in 2001.

Servicing fee income on all securitizations was \$16.1 million in 2002, \$12.0 million in 2001, and \$7.8 million in 2000. All amounts of pretax gains, interest income, and servicing fee income are included in loan sales and servicing income in the statements of income.

ZFNB also sponsors an asset-backed commercial paper program through a qualified special purpose entity securities conduit ("conduit"). The conduit issues commercial paper to fund the acquisition of U.S. Government and AAA rated securities purchased from ZFNB. In addition to providing administrative and investment advisory services, ZFNB also provides hedge and liquidity support under contracts between ZFNB and the conduit. Pursuant to the liquidity contract, ZFNB is required to purchase securities from the conduit to provide funds for the conduit to repay maturing commercial paper upon the conduit's inability to access the commercial paper market or upon commercial paper market disruptions, as specified in governing documents to the conduit. No amounts were outstanding under this liquidity facility during 2002, or at December 31, 2002 and 2001. At December 31, 2002 and 2001, the size of this liquidity facility is approximately \$5.1 billion. Income recognized by ZFNB under this arrangement is separately reflected as income from securities conduit. At December 31, 2002 and 2001, the market value of the conduit's securities portfolio is approximately \$3.8 billion and \$2.4 billion, respectively.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, effective January 1, 2001. This Statement, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities.

As required by SFAS 133, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges under SFAS 133. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives

designated as cash flow hedges, the effective portion of changes in the fair value of the derivative are recorded in other comprehensive income and recognized in earnings when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows on the derivative hedging instrument with the changes in fair value or cash flows on the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings. On January 1, 2001, all hedging relationships were designated anew by the Company in accordance with the provisions of the Statement.

The Company's objective in using derivatives is to add stability to interest income or expense, to modify the duration of specific assets or liabilities as considered necessary by the Company, and to manage exposure to interest rate movements or other identified risks. To accomplish this objective, the Company uses interest rate swaps as part of its cash flow hedging strategy. For 2002 and 2001, such derivatives were used to hedge the variable cash flows associated with designated commercial loans.

In 2002, the Company used fair value hedges to manage interest rate exposure to certain long-term debt. In 2001, fair value hedge ineffectiveness of \$4.3 million (a net gain) was recognized in other noninterest income from a qualifying fair value hedge of an investment. No other hedge ineffectiveness occurred for fair value hedges in 2002 or 2001. As of December 31, 2002, no derivatives were designated for hedges of investments in foreign operations.

Interest rate swap agreements designated as cash flow hedges involve the receipt of fixed-rate amounts in exchange for variable-rate payments over the life of the agreements without exchange of the underlying principal amount. Basis swap agreements designated as cash flow hedges are used in conjunction with certain interest rate swaps and are used to convert the variable rate paid on an interest rate swap to match the variable rate received from a loan. Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements of SFAS 133.

Core deposit and other intangible assets and related amortization for continuing operations are as follows at December 31 (*in thousands*):

	Gross carrying amount		Accumulated amortization		Total	
	2002	2001	2002	2001	2002	2001
Core deposit intangibles	\$ 143,620	141,475	(62,650)	(49,321)	80,970	92,154
Other intangibles	2,000	19,816	(50)	(2,822)	1,950	16,994
	\$ 145,620	161,291	(62,700)	(52,143)	82,920	109,148

The amount of amortization expense of core deposit and other intangible assets is separately reflected in the statement of income. The Company has no intangible assets with indefinite lives.

Estimated amortization expense of core deposit and other intangible assets is as follows for the years succeeding December 31, 2002 (*in thousands*):

2003	\$ 14,331
2004	13,788
2005	13,662
2006	13,537
2007	12,401

Changes in the carrying amount of goodwill for 2002 by operating segment are as follows (*in thousands*):

	Zions First National Bank and Subsidiaries	California Bank & Trust	Nevada State Bank	National Bank of Arizona	Vectra Bank Colorado	The Commerce Bank of Washington	Other	Consolidated Company
Balance as of January 1, 2002	\$ 11,533	387,387	21,051	57,168	239,232	-	54,392	770,763
Goodwill acquired during the year	1,782			3,896				5,678
Impairment losses							(46,682)	(46,682)
Goodwill reclassified to discontinued operations							(546)	(546)
Goodwill written off from sale of branches		(1,082)						(1,082)
Goodwill pushdown from parent	7,989			1,142	16		(9,147)	-
Other adjustments, including contingent consideration paid	(8)	(474)		445	(46)		1,983	1,900
Balance as of December 31, 2002	\$ 21,296	385,831	21,051	62,651	239,202	-	-	730,031

In June 2002, the Company completed all goodwill impairment testing required under the transitional provisions of SFAS 142. Impairment losses of \$32.4 million (net of income tax benefit of \$2.7 million) were recognized as of January 1, 2002 as a cumulative effect adjustment in accordance with SFAS 142. This adjustment relates to the impairment in carrying value of the Company's investments in certain e-commerce subsidiaries included in the "Other" operating segment. The impairment amount was deter-

mined by comparing the carrying value of these subsidiaries to their fair value at January 1, 2002, which was estimated from comparable market values including price-to-revenue multiples. In September 2002, additional impairment losses were recognized, as discussed in Note 15. In October 2002, the Company completed its annual review of impairment required by SFAS 142 and did not recognize any additional impairment losses.

15. LONG-TERM DEBT

Long-term debt at December 31 is summarized as follows (in thousands):

	2002	2001
Guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures	\$ 511,172	218,845
Subordinated notes:		
Floating rate	510,000	510,000
Fixed rate	-	49,900
Senior medium-term notes	46,138	
Capital leases and other	2,195	2,597
	<u>\$ 1,069,505</u>	<u>781,342</u>

The guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures include \$170.1 million of 8.536% trust preferred securities issued by Zions Institutional Capital Trust A ("ZICTA"), \$29.0 million of 11.75% trust preferred securities issued by CSBI Capital Trust I ("CSBICT"), and \$2.2 million of 10.25% trust preferred securities issued by GB Capital Trust ("GBCT"). Each series of trust preferred securities relates to a corresponding series of junior subordinated deferrable interest debentures issued by the Company or ZFNB (referred to as the "ZICTA debentures," the "CSBICT debentures" and the "GBCT debentures," respectively).

The ZICTA debentures are direct and unsecured obligations of ZFNB and are subordinate to the claims of depositors and general creditors. The Company has irrevocably and unconditionally guaranteed all of ZFNB's obligations under the debentures. The Company became obligated with respect to the CSBICT and GBCT debentures as a result of the acquisitions of Eldorado Bancshares and GB Bancorporation, respectively, and are direct and unsecured obligations subordinate to other indebtedness and general creditors of the Company. All three of these series of debentures are subject, with the approval of banking regulators, to early redemption beginning in 2006 and 2007. The ZICTA and GBCT debentures require semiannual interest payments and mature in December 2026 and January 2027, respectively. The CSBICT debentures require quarterly interest payments and mature in June 2027. The Company has unconditionally guaranteed the obligations of ZICTA, CSBICT and GBCT with respect to their respective series of trust preferred securities to the extent set forth in the applicable guarantee agreements and the Company has

unconditionally guaranteed the obligations of ZFNB with respect to the ZICTA debentures to the extent set forth in the applicable guarantee agreement.

The preferred beneficial interests also include \$285 million of 8.0% trust preferred securities issued in August 2002 by Zions Capital Trust B ("ZCTB"), a newly formed subsidiary. These trust preferred securities relate to a corresponding series of junior subordinated deferrable interest debentures issued by the Company (the "ZCTB debentures"). The debentures are direct and unsecured obligations of the Company and are subordinate to other indebtedness and general creditors. The ZCTB debentures require quarterly interest payments that began in December 2002. These debentures mature in September 2032, but are subject, with the approval of banking regulators, to early redemption beginning in September 2007. The Company has unconditionally guaranteed the obligations of ZCTB with respect to the trust preferred securities issued by it to the extent set forth in the applicable guarantee agreement. The trust preferred securities, debentures and the guarantees of the Company were registered with the Securities and Exchange Commission in August 2002.

The Company has entered into agreements to hedge the ZICTA and \$140 million of the ZCTB debentures. The fair value hedge derivatives are accounted for in accordance with SFAS 133, as discussed in Note 7. They are recorded at their fair value of \$24.9 million at December 31, 2002 in the consolidated balance sheet with their related long-term debt amounts. These fair value hedges are interest rate swaps with early redemption dates consistent with the related debt. Interest expense for 2002 has been reduced by \$5.5 million as a result of these hedges.

The floating rate subordinated notes include \$200 million at 6.95% issued through a subsidiary, Zions Financial Corp., and \$200 million at 6.50% issued by the Company. Early redemption may occur beginning in May and October 2006, respectively, at which time the notes will bear interest at one-month LIBOR plus 2.86% and one-month LIBOR plus 3.01% through maturity in May and October 2011, respectively. Each series of notes requires semiannual interest payments. The Company has unconditionally guaranteed the 6.95% notes. Also included in floating rate subordinated notes is \$110 million callable in 2003 and due in 2008, with

18. DISCONTINUED OPERATIONS, IMPAIRMENT LOSSES, AND RESTRUCTURING CHARGES

In September 2002, the Company decided to discontinue the operations of the e-commerce subsidiaries discussed in Note 9. The Company determined that its plan to restructure and offer all or part of these subsidiaries for sale met the held for sale and discontinued operations criteria of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company adopted SFAS 144 effective January 1, 2002.

Summarized information for the loss from operations of discontinued subsidiaries is as follows (*in thousands*):

	2002	2001
Noninterest income	\$ 7,414	7,197
Noninterest expense	25,718	19,684
Pretax loss from operations of discontinued subsidiaries	\$ (18,304)	(12,487)

Based on the acquisition dates of these discontinued subsidiaries, operations were not included until 2001. Additional pretax impairment losses of \$28.7 million for these subsidiaries are included as a separate line item with discontinued operations. The amounts of these impairment losses were determined by comparing the carrying amounts of these subsidiaries to their fair values, less costs to sell. Fair values were determined based on amounts offered in sales negotiations and market comparables.

In December 2002, the Company completed the sale of one of these subsidiaries, Phaos Technology Corp., and recognized a \$5.3 million income tax benefit, which is included with other income tax benefits in discontinued operations.

Assets and liabilities of discontinued operations included in other assets and accrued liabilities in the consolidated balance sheet at December 31, 2002 are summarized as follows (*in thousands*):

Assets:	
Cash and due from banks	\$ 657
Interest-bearing deposits	186
Premises and equipment, net	334
Other intangibles	358
Other assets	1,506
Total assets	3,041
Liabilities:	
Accrued liabilities	3,788
Total liabilities	3,788

Impairment losses on long-lived assets in continuing operations relate to certain software, including software of other continuing e-commerce activities. The recorded amount of \$4.9 million includes \$2.7 million in ZFNB and \$2.2 million in the Other operating segment. The impairment losses were determined by comparing the carrying value to fair value, estimated by using discounted cash flow approaches.

Restructuring charges relate primarily to certain branch closings and to the restructuring of trust operations and administrative functions. The recorded amount of \$3.3 million includes severance costs of \$1.8 million and occupancy-related costs of \$1.5 million.

10. INCOME TAXES

Income taxes (benefit) are summarized as follows (*in thousands*):

	2002	2001	2000
Continuing operations:			
Federal:			
Current	\$ 136,050	130,700	59,038
Deferred	2,837	6,135	6,342
State	28,815	25,032	14,281
	167,702	161,867	79,661
Discontinued operations:			
Federal	(15,150)	(3,260)	-
State	(3,385)	(807)	-
	(18,535)	(4,067)	-
Cumulative effect adjustments:			
Federal	(2,143)	(3,855)	-
State	(533)	(666)	-
	(2,676)	(4,521)	-
Income tax expense	\$ 146,491	153,279	79,661

Income tax expense on continuing operations computed at the statutory federal income tax rate of 35% reconciles to actual income tax expense as follows (*in thousands*):

	2002	2001	2000
Income tax expense at statutory federal rate	\$ 168,402	158,434	85,016
State income taxes, net	18,730	16,270	9,283
Nondeductible expenses	2,667	12,178	10,944
Nontaxable interest	(18,576)	(12,870)	(17,217)
Tax credits and other taxes	(2,343)	(2,056)	(1,874)
Corporate reorganization	-	(6,416)	(6,416)
Other	(1,178)	(3,673)	(75)
	\$ 167,702	161,867	79,661

Under the qualified plan, options vest at the rate of one third each year after the date of grant and expire seven years after the date of grant. Options granted previous to 2000 are exercisable in increments from one to four years after the date of grant and expire six years after the date of grant. Under the nonqualified plan, options are exercisable in increments from six months to three and a half years after the date of grant and expire ten years after the date of grant. At December 31, 2002, there were 1,962,562 and 167,000 additional shares available for grant under the qualified and nonqualified plans, respectively.

The Company has also adopted a broad-based employee stock option plan. Participation in this plan requires employment for a full year prior to the option grant date with service of 20 hours a week or more. Executive officers of the Company are not eligible to participate in this plan. Stock options are granted to eligible employees based on an internal job grade structure. All options vest at the rate of one third each year and expire four years after the date of grant. At December 31, 2002, there were 1,277,878 options outstanding and 198,809 additional shares available for grant.

The Company's stock-based compensation plans are accounted for based on the intrinsic value method set forth under the recognition and measurement principles of APB 25, and related Interpretations. No compensation expense was recorded for these option plans, as the exercise price was equal to the quoted market price of the stock at the time of grant. The Stock-Based Compensation section of Note 1,

Summary of Significant Accounting Policies, illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation. That section also discusses the recently issued SFAS 148.

The following table is a summary of the Company's stock option activity and related information for the three years ended December 31, 2002:

	Number of shares	Weighted-average exercise price
Balance at December 31, 1999	3,345,691	\$ 43.30
Acquired	132,097	11.48
Granted	1,993,961	43.38
Exercised	(409,935)	18.25
Forfeited	(328,223)	51.03
Balance at December 31, 2000	4,733,591	43.98
Acquired	906,845	41.90
Granted	2,090,843	53.28
Exercised	(611,174)	28.04
Forfeited	(655,449)	47.12
Balance at December 31, 2001	6,464,656	47.89
Granted	2,086,595	52.17
Exercised	(652,860)	32.62
Expired	(108,547)	50.58
Forfeited	(306,961)	55.93
Balance at December 31, 2002	7,482,883	50.04
Outstanding options exercisable as of:		
December 31, 2002	3,744,828	\$ 48.01
December 31, 2001	3,315,756	44.50
December 31, 2000	1,701,254	36.55

Selected information on stock options as of December 31, 2002 follows:

Outstanding options				Exercisable options	
Exercise price range	Number of shares	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of shares	Weighted average exercise price
\$2.37 to \$6.91	16,143	\$ 3.57	2.6	16,143	\$ 3.57
\$6.92 to \$13.83	31,823	12.55	3.4	31,823	12.55
\$13.84 to \$20.74	60,594	16.30	3.5	60,594	16.30
\$20.75 to \$27.65	41,200	23.38	4.3	33,871	23.45
\$27.66 to \$34.56	178,338	30.82	0.8	178,338	30.82
\$34.57 to \$41.48	247,510	40.08	3.9	11,857	40.26
\$41.49 to \$48.39	2,076,609	42.67	3.8	1,569,479	42.59
\$48.40 to \$55.30	4,039,859	53.23	4.8	1,255,809	51.75
\$55.31 to \$62.21	108,500	56.58	4.9	42,994	56.46
\$62.22 to \$69.13	682,307	68.70	2.2	543,920	68.59
	<u>7,482,883</u>	50.04	4.1	<u>3,744,828</u>	48.01

December 31, 2002. Interest rates are LIBOR plus 50 basis points on one line and prime less 1.5% on the other line. There are no compensating balance arrangements.

At December 31, 2002, the Company was required to maintain a cash balance of \$25 million with the Federal Reserve Banks to meet minimum balance requirements in accordance with Federal Reserve Board regulations.

At December 31, 2002, the Company has guaranteed approximately \$1,021 million of debt issued by various subsidiaries, as discussed in Note 13. See Note 6 for the discussion of ZFNB's commitment of \$5.1 billion at December 31, 2002 to a qualified special purpose entity securities conduit.

The Company is a defendant in various legal proceedings arising in the normal course of business. The Company does not believe that the outcome of any such proceedings will have a material adverse effect on its consolidated results of operations, financial position, or liquidity.

The Company has commitments for leasing premises and equipment under the terms of noncancelable capital and operating leases expiring from 2003 to 2068. Premises leased under capital leases were recorded at \$14.9 million, net of \$13.3 million accumulated amortization at December 31, 2002. Amortization applicable to premises leased under capital leases is included in depreciation expense.

Future aggregate minimum rental payments under existing noncancelable operating leases at December 31, 2002 are as follows (*in thousands*):

2003	\$ 30,652
2004	29,977
2005	27,107
2006	22,085
2007	19,005
Thereafter	91,948
	\$ 220,774

Future aggregate minimum rental payments have been reduced by noncancelable subleases as follows: 2003, \$2.7 million; 2004, \$1.4 million; 2005, \$1.0 million; 2006, \$.6 million; 2007, \$.5 million; and thereafter \$2.3 million. Aggregate rental expense on operating leases amounted to \$47.8 million in 2002, \$47.8 million in 2001, and \$40.0 million in 2000.

The Company has no other material related party transactions requiring disclosure. Credit is extended to certain officers and directors of the Company through its subsidiaries in

the ordinary course of business and on substantially the same terms as comparable third-party lending arrangements in compliance with applicable banking regulations.

20 REGULATORY MATTERS

The Company is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2002, that the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 2002, the Company's capital ratios significantly exceed the minimum capital levels, and the Company is considered well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events that management believes have changed the Company's category.

Dividends declared by the Company's banking subsidiaries in any calendar year may not, without the approval of the appropriate federal regulator, exceed their net earnings for that year combined with their net earnings less dividends paid for the preceding two years. At December 31, 2002, the Company's subsidiaries had approximately \$236.1 million available for the payment of dividends under the foregoing restrictions.

The following table presents the change in plan assets *(in thousands)*:

	2002	2001
Fair value of plan assets at beginning of year	\$ 119,033	119,758
Actual return on plan assets	(17,253)	(9,443)
Employer contributions	-	15,000
Benefits paid	(7,784)	(6,282)
Fair value of plan assets at end of year	\$ 93,996	119,033

The following table presents the plan's funded status and a reconciliation with the amounts recognized in the Company's consolidated balance sheets at December 31 *(in thousands)*:

	2002	2001
Funded status	\$ (34,018)	(15,999)
Unrecognized net actuarial loss	38,602	32,300
Unrecognized prior service cost	-	(1,216)
Net amount recognized	\$ 4,584	15,085
Prepaid benefit cost	\$ -	15,085
Accrued benefit liability	(33,901)	-
Accumulated other comprehensive income-pretax	38,485	-
	\$ 4,584	15,085

Net periodic benefit cost recognized includes the following components *(in thousands)*:

	2002	2001	2000
Service cost	\$ 11,113	8,601	7,026
Interest cost	9,202	8,659	8,137
Expected return on plan assets	(10,398)	(10,351)	(12,059)
Amortization of prior service cost	(404)	(412)	(403)
Amortization of net actuarial loss	1,299	-	-
Recognized actuarial gain	-	-	(632)
Net periodic benefit cost	10,812	6,497	2,069
Curtailment gain	(311)	-	-
Total cost	\$ 10,501	6,497	2,069

For the year ended December 31, 2002, the Company recognized in other comprehensive income a minimum pension liability of \$23.4 million, net of income tax benefit of \$15.1 million.

The weighted average discount rate used in determining the pension benefit obligation was 6.75% in 2002 and 7.25% in 2001. The rate of compensation increase was 4.00% for 2002 and 5.00% for 2001, and the expected long-term rate of return was 8.60% for 2002 and 9.00% for 2001. Any net transition asset or obligation and any unrecognized prior service cost are being amortized on a straight-line basis.

Unrecognized gains and losses are amortized using the minimum recognition method.

The Company also is obligated under several unfunded nonqualified supplemental retirement plans for certain current and former employees. At December 31, 2002 and 2001, the Company's liability included in accrued liabilities totaled \$16.0 million and \$14.7 million, respectively for these plans.

In addition to the Company's defined benefit pension plan, the Company sponsors a defined benefit health care plan that provides postretirement medical benefits to full-time employees hired before January 1, 1993, who meet minimum age and service requirements. The plan is contributory, with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. Plan coverage is provided by self-funding or health maintenance organizations (HMOs) options. Reductions in the Company's obligations to provide benefits resulting from cost sharing changes have been applied to reduce the plan's unrecognized transition obligation. In 2000, the Company increased its contribution toward retiree medical coverage and permanently froze the Company contributions. Retirees pay the difference between the full premium rates and the capped Company contribution.

The following table presents the change in the plan's benefit obligation *(in thousands)*:

	2002	2001
Benefit obligation at beginning of year	\$ 7,152	8,914
Service cost	104	110
Interest cost	495	512
Actuarial (gain) loss	359	(1,079)
Benefits paid	(609)	(1,305)
Benefit obligation at end of year	\$ 7,501	7,152

The following table presents the plan's funded status reconciled with amounts recognized in the Company's consolidated balance sheets at December 31 *(in thousands)*:

	2002	2001
Funded status	\$ (7,501)	(7,152)
Unrecognized net actuarial gain	(2,103)	(3,058)
Unrecognized prior service cost	170	255
Net amount recognized	\$ (9,434)	(9,955)
Accrued benefit liability	\$ (9,434)	(9,955)

rate FHLB advances is estimated by discounting future cash flows using the LIBOR yield curve. Variable rate FHLB advances reprice with changes in market rates. As such, their carrying amounts approximate their fair value. Other borrowings are not significant. The estimated fair value of the subordinated notes included in long-term debt is based on a quoted market price. The remaining long-term debt is not significant.

DERIVATIVE INSTRUMENTS

The fair value of the derivatives reflects the estimated amounts that the Company would receive or pay to terminate these contracts at the reporting date based upon pricing or valuation models applied to current market information. Interest rate swaps are valued using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates derived from observed market interest rate curves.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The fair value of commitments to extend credit and letters of credit, based on fees currently charged for similar commitments, is not significant.

LIMITATIONS

These fair value disclosures represent management's best estimates, based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

Further, the calculations do not represent the underlying value of the Company. Other significant assets and liabilities,

which are not considered financial assets or liabilities and for which no fair values have been estimated, include premises and equipment, goodwill and other intangibles, deferred taxes, and other liabilities.

23. OPERATING SEGMENT INFORMATION

Operating segments represent components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company manages its operations and prepares management reports with a primary focus on geographical area. All segments presented, except for the segment identified as "Other" are based on commercial banking operations. The operating segment identified as "Other" includes Zions Bancorporation, certain e-commerce subsidiaries, other smaller nonbank operating units and eliminations of transactions between segments.

The accounting policies of the individual operating segments are the same as those of the Company described in Note 1. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. The Company allocates centrally provided services to the business segments based upon estimated usage of those services.

The Company initiated a program in 2002 to allocate income between certain of its banking subsidiaries to better match revenues from hedging strategies to the operating units which gave rise to the exposures being hedged. Allocated income (expense) from this program included in net interest income of the banking subsidiaries for 2002 is as follows: Zions First National Bank - \$(47.0) million, Nevada State Bank - \$9.9 million, National Bank of Arizona - \$10.1 million, Vectra Bank Colorado - \$21.9 million, and The Commerce Bank of Washington - \$5.1 million.

	Zions First National Bank and Subsidiaries	California Bank & Trust	Nevada State Bank	National Bank of Arizona	Vectra Bank Colorado	The Commerce Bank of Washington	Other	Consoli- dated Company
2000:								
Net interest income	\$ 227,057	297,153	101,685	92,300	89,094	19,991	(23,902)	803,378
Provision for loan losses	8,250	-	10,060	3,570	9,112	819	-	31,811
Net interest income after provision for loan losses	218,807	297,153	91,625	88,730	79,982	19,172	(23,902)	771,567
Noninterest income	151,990	43,585	23,488	14,092	20,223	1,472	(62,228)	192,622
Noninterest expense	223,608	207,258	81,024	52,721	86,295	8,817	61,562	721,285
Income from continuing operations before income taxes and minority interest	147,189	133,480	34,089	50,101	13,910	11,827	(147,692)	242,904
Income tax expense (benefit)	44,917	59,401	11,337	19,885	8,103	3,965	(67,947)	79,661
Minority interest	(2,142)	-	-	-	-	-	3,676	1,534
Income from continuing operations	104,414	74,079	22,752	30,216	5,807	7,862	(83,421)	161,709
Loss on discontinued operations	-	-	-	-	-	-	-	-
Income before cumulative effect adjustment	104,414	74,079	22,752	30,216	5,807	7,862	(83,421)	161,709
Cumulative effect adjustment	-	-	-	-	-	-	-	-
Net income (loss)	\$ 104,414	74,079	22,752	30,216	5,807	7,862	(83,421)	161,709
Assets	\$ 8,095,001	6,952,940	2,373,585	1,943,675	2,155,929	552,661	(134,348)	21,939,443
Net loans and leases ¹	4,885,246	4,855,632	1,383,142	1,488,773	1,475,166	242,042	48,032	14,378,033
Deposits	4,173,002	5,588,601	1,992,947	1,551,182	1,385,271	404,864	(25,884)	15,069,983
Shareholder's equity	459,951	714,322	176,168	160,925	390,252	33,226	(156,000)	1,778,844

¹ Net of unearned income and fees, net of related costs.

The Company's financial statements for the first quarter of 2002 were restated to reflect an impairment loss adjustment determined during the second quarter of 2002. This impairment charge resulted from the required adoption of SFAS 142 as discussed in Note 9 and related to the impairment in carrying value of certain e-commerce subsidiaries. The impairment charge was recognized as a cumulative effect adjustment. A reconciliation of originally reported amounts to restated amounts follows (*in thousands, except per share amounts*):

	As originally reported	Adjustments	Restatement due to required change in accounting
Cumulative effect adjustment	\$ -	(32,369)	(32,369)
Net income	79,631	(32,369)	47,262
Net income per common share:			
Basic	\$ 0.87	(0.35)	0.52
Diluted	0.86	(0.35)	0.51

Previously reported amounts have also been reclassified to reflect the treatment of the operations of these e-commerce subsidiaries as discontinued operations. See Note 15.

25. PARENT COMPANY FINANCIAL INFORMATION

CONDENSED BALANCE SHEETS

DECEMBER 31, 2002 AND 2001

(In thousands)

	2002	2001
ASSETS		
Cash and due from banks	\$ 1,867	2,063
Interest-bearing deposits	55,935	12,778
Investment securities	212,862	9,144
Loans and other receivables, net	1,632	2,418
Other noninterest bearing investments	61,876	43,935
Investments in subsidiaries:		
Commercial banks	2,552,641	2,473,056
Other operating companies	3,602	65,272
Nonoperating - Zions Municipal Funding, Inc. ¹	259,664	208,402
Receivables from subsidiaries:		
Commercial banks	165,000	125,000
Other	14,422	15,848
Other assets	56,283	67,119
	\$ 3,385,784	3,025,035
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accrued and other liabilities	\$ 39,528	24,916
Commercial paper	291,566	309,000
Subordinated debt to subsidiaries	324,709	50,350
Long-term debt	356,138	359,900
Total liabilities	1,011,941	744,166
Shareholders' equity:		
Common stock	1,034,888	1,111,214
Accumulated other comprehensive income	46,214	59,951
Retained earnings	1,292,741	1,109,704
Total shareholders' equity	2,373,843	2,280,869
	\$ 3,385,784	3,025,035

¹ Zions Municipal Funding, Inc. is a wholly-owned nonoperating subsidiary whose sole purpose is to hold a portfolio of municipal bonds, loans and leases.

CONDENSED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

<i>(In thousands)</i>	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 256,278	283,020	161,709
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net (income) losses of consolidated subsidiaries	16,583	(33,890)	(72,471)
Depreciation of premises and equipment	75	81	117
Investment securities gains, net	(2,686)	(6,056)	(25,076)
Impairment loss on First Security Corporation common stock	-	-	96,911
Amortization of intangibles	-	660	660
Other	(3,160)	(23,992)	(23,615)
Net cash provided by operating activities	267,090	219,823	138,235
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (increase) decrease in interest-bearing deposits	(43,157)	(7,424)	17,545
Collection of advances to subsidiaries	129,745	21,885	12,846
Advances to subsidiaries	(168,319)	(23,689)	(32,325)
Proceeds from sale of investment securities available for sale	5,035	9,531	162,282
Purchase of investment securities	(196,392)	(6,456)	(1,065)
Increase of investment in subsidiaries	(78,422)	(237,584)	(75,674)
Cash paid to reacquire minority interest	-	(66,044)	-
Other	(813)	19,964	621
Net cash provided by (used in) investing activities	(352,323)	(289,817)	84,230
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in commercial paper and other borrowings under one year	(17,434)	41,761	(146,421)
Proceeds from issuance of long-term debt	339,952	200,000	-
Payments on long-term debt	(67,941)	(67,100)	(3,650)
Proceeds from issuance of common stock	16,907	15,798	6,717
Payments to redeem common stock	(113,215)	(46,462)	(3,899)
Dividends paid	(73,232)	(73,899)	(76,762)
Net cash provided by (used in) financing activities	85,037	70,098	(224,015)
Net increase (decrease) in cash and due from banks	(196)	104	(1,550)
Cash and due from banks at beginning of year	2,063	1,959	3,509
Cash and due from banks at end of year	\$ 1,867	2,063	1,959

The parent company paid interest of \$36.5 million in 2002, \$32.8 million in 2001, and \$50.1 million in 2000.

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(1) Incorporated by reference from the Company's Proxy Statement to be dated approximately March 17, 2003.

(2) None

*Financial Highlights – inside front cover of 2002 Annual Report to Shareholders.

The Board of Directors of Zions Bancorporation has approved a series of actions to strengthen and improve its already strong corporate governance practices, including the adoption of new Corporate Governance Guidelines, a Code of Business Conduct and Ethics, and new charters for the Audit, Credit Review, Executive Compensation, and Nominating and Corporate Governance Committees. More information on Zions Bancorporation's corporate governance practices will be available on the Zions Bancorporation website at www.zions-bancorporation.com.

The enactment of the Gramm-Leach-Bliley Act of 1999 ("the GLB Act") represented a pivotal point in the history of the financial services industry. The GLB Act swept away large parts of a regulatory framework that had its origins in the Depression Era of the 1930s. Effective March 11, 2000, new opportunities became available for banks, other depository institutions, insurance companies and securities firms to enter into combinations that permit a single financial services organization to offer customers a more complete array of financial products and services. The GLB Act provides a new regulatory framework through a financial holding company, which has as its umbrella regulator the Federal Reserve Board ("FRB"). Functional regulation of the financial holding company's separately regulated subsidiaries is conducted by their primary functional regulator.

The GLB Act provides a federal right to privacy for non-public personal information of individual customers. The Company, including its subsidiaries, is also subject to certain state laws that deal with the use and distribution of nonpublic personal information.

Zions Bancorporation is a financial holding company and, as such, is subject to regulation under the Bank Holding Company Act of 1956, as amended ("the BHC Act"). The BHC Act requires the prior approval of the FRB for a financial holding company to acquire or hold more than 5% voting interest in any bank, and restricts interstate banking activities. The BHC Act allows interstate bank acquisitions and interstate branching by acquisition anywhere in the country.

The BHC Act restricts the Company's nonbanking activities to those that are permitted for financial holding companies or determined by the FRB to be financial in nature, incidental to financial activities, or complementary to a financial activity. The BHC Act does not place territorial restrictions on the activities of nonbank subsidiaries of bank holding companies. The Company's banking subsidiaries are subject to limitations with respect to transactions with affiliates.

The Company's banking subsidiaries are also subject to various requirements and restrictions in the laws of the United States and in the states in which the banks operate. These include

restrictions on the amount of loans to a borrower and its affiliates, the nature and amount of their investments, their ability to act as an underwriter of securities, the opening of branches and the acquisition of other financial entities. The Company's subsidiary banks are subject to the provisions of the National Bank Act or the banking laws of their respective states, are under the supervision of, and are subject to periodic examination by, the Comptroller of the Currency ("OCC") or their respective state banking departments, and are subject to the rules and regulations of the OCC, the FRB, and the Federal Deposit Insurance Corporation ("FDIC").

The FRB has established capital guidelines for financial holding companies. The OCC, the FDIC, and the FRB have also issued regulations establishing capital requirements for banks under federal law. Failure to meet capital requirements could subject the Company and its subsidiary banks to a variety of restrictions and enforcement remedies. See Note 20 of the Notes to Consolidated Financial Statements for information regarding capital requirements.

The U.S. federal bank regulatory agencies' risk-capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision ("the BIS"). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines that each country's supervisors can use to determine the supervisory policies they apply. In January 2001, the BIS released a proposal to replace the 1988 capital accord with a new capital accord that would set capital requirements for operational risk and refine the existing capital requirements for credit risk and market risk exposures. Operational risk is defined to mean the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The 1988 capital accord does not include separate capital requirements for operational risk. In 2002 the BIS published proposed modifications to its January 2001 proposal. While the ultimate timing for the new accord and the specifics of capital assessments for addressing operational risk are uncertain, the BIS has stated that its objective is to finalize a new capital accord in the fourth quarter of 2003 and for member countries to implement the new accord at year-end 2006. The Company expects that a new capital accord addressing operational risk will eventually be adopted by the BIS and implemented by the U.S. federal bank regulatory agencies.

Dividends payable by the subsidiary banks to Zions Bancorporation are subject to various legal and regulatory restrictions. These restrictions and the amount available for the payment of dividends at year-end are summarized in Note 20 of the Notes to Consolidated Financial Statements.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the NASDAQ National Market under the symbol "ZION". The last reported sale price of the common stock on NASDAQ on February 19, 2003 was \$41.96 per share.

The following table sets forth, for the periods indicated, the high and low sale prices of the Company's common stock, as quoted on NASDAQ:

	2002		2001	
	High	Low	High	Low
1st Quarter	\$ 59.46	\$ 48.32	\$ 64.00	\$ 45.75
2nd Quarter	59.65	49.54	59.55	50.26
3rd Quarter	55.34	42.30	60.04	50.23
4th Quarter	44.37	34.14	53.61	42.30

As of February 19, 2003, there were 6,636 holders of record of the Company's common stock.

Frequency and amount of dividends paid during the last two years:

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
2002	\$.20	\$.20	\$.20	\$.20
2001	\$.20	\$.20	\$.20	\$.20

In January 2003, the Board of Directors approved a dividend of \$0.21 per share payable on February 26, 2003.

PART III

ITEM 14. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART IV

ITEM 16. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

The Company's Consolidated Financial Statements and report of independent auditors are set forth on pages 61-101.

Financial Statement Schedules – All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, the required information is contained elsewhere in the Form 10-K, or the schedules are inapplicable and have therefore been omitted.

Exhibits – The index of exhibits and any exhibits filed as part of the 2002 Form 10-K are accessible at no cost on the Company's website at www.zionsbancorporation.com or through the United States Securities and Exchange Commission's website at www.sec.gov. Copies of exhibits may also be requested from the Company's investor relations department.

Reports on Form 8-K filed during the fourth quarter of 2002 and through the date of this Form 10-K filing:

October 4, 2002 – Item 9. Exhibit 99. A copy of a press release dated October 3, 2002 reporting on charges related to expense reduction plans and impaired investments.

October 21, 2002 – Items 5 and 7. Exhibit 99.1. A copy of a press release dated October 17, 2002 announcing third quarter 2002 earnings with additional statements of income by quarter.

November 14, 2002 – Items 7 and 9. Exhibits 99.1 and 99.2. Certifications, dated November 14, 2002, of Chief Executive Officer of the Company, Harris H. Simmons, and Chief Financial Officer, Doyle L. Arnold, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

January 23, 2003 – Item 9. Exhibit 99. A copy of a press release dated January 23, 2003 announcing fourth quarter 2002 earnings.

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER

I, Harris H. Simmons, certify that:

1. I have reviewed this annual report on Form 10-K of Zions Bancorporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 20, 2003

/s/ Harris H. Simmons

Harris H. Simmons, Chairman, President
and Chief Executive Officer

CORPORATE INFORMATION

{Executive Offices}

One South Main Street
Salt Lake City, Utah 84111
(801) 524-4787

{Annual Shareholders' Meeting}

Friday, April 25, 2003, 1:30 p.m.
Salt Lake City Marriott
75 South West Temple
Salt Lake City, Utah 84101

{Transfer Agent}

Zions First National Bank
Corporate Trust Department
10 East South Temple, 3rd Floor
Salt Lake City, Utah 84111
(801) 524-4624

{Registrar}

Zions First National Bank
One South Main Street
Salt Lake City, Utah 84111

{Auditors}

Ernst & Young LLP
60 East South Temple, Suite 800
Salt Lake City, Utah 84111

{NASDAQ National Market Symbol}

ZION

{Number of Common Shareholders}

6,867 as of December 31, 2002

{Dividend Reinvestment Plan}

Shareholders can reinvest their cash dividends in additional shares of our common stock at the market price. Shareholders, as well as brokers and custodians who hold our common stock for clients, can obtain a prospectus of the plan by writing to:

Zions Bancorporation
Dividend Reinvestment Plan
P.O. Box 30880
Salt Lake City, Utah 84130

{Credit Ratings}

Moody's Investors Service	
<i>Outlook</i>	<i>Stable</i>
<i>LT Senior Debt</i>	<i>A3</i>
<i>Subordinated Debt</i>	<i>Baa1</i>

Standard & Poor's	
<i>Outlook</i>	<i>Stable</i>
<i>LT Senior Debt</i>	<i>BBB</i>
<i>LT Subordinated Debt</i>	<i>BBB-</i>
<i>Short Term</i>	<i>A-2</i>

Fitch	
<i>Outlook</i>	<i>Stable</i>
<i>Senior Unsecured Debt</i>	<i>A-</i>
<i>Subordinated Debt</i>	<i>BBB+</i>
<i>Short Term</i>	<i>F1</i>

{Option Market Makers}

Chicago Board Options Exchange
Philadelphia Stock Exchange

{Selected Index Memberships}

S&P 500
Nasdaq Financial 100
PHLX/KBW Bank Index

{Investor Relations}

For financial information about the Corporation – analysts, investors and news media representatives should contact:

Clark B. Hinckley
(801) 524-4787

{Zions Bancorporation News Releases}

Our news releases are available on our website at:
www.zionsbancorporation.com.

To be added to the email or fax distribution list, please contact us at:
investor@zionsbank.com.

{Internet Sites}

ZIONS BANCORPORATION:
www.zionsbancorporation.com

ZIONS FIRST NATIONAL BANK:
www.zionsbank.com

CALIFORNIA BANK & TRUST:
www.calbanktrust.com

NEVADA STATE BANK:
www.nsbank.com

NATIONAL BANK OF ARIZONA:
www.nbarizona.com

VECTRA BANK COLORADO:
www.vectrabank.com

THE COMMERCE BANK
OF WASHINGTON:
www.tcbwa.com

FIXED INCOME TRADING:
www.oddlot.com
www.govrate.com

Understanding Business

ZIONS BANK / CALIFORNIA BANK & TRUST / NATIONAL BANK OF ARIZONA / NEVADA STATE BANK / VECTRA BANK COLORADO / THE COMMERCE BANK OF WASHINGTON



Financial Highlights

<i>(In millions except per share amounts)</i>	2003 / 2002 CHANGE	2003	2002	2001	2000	1999
FOR THE YEAR						
INCOME FROM CONTINUING OPERATIONS	+7 %	339.6	317.1	298.6	161.7	194.1
NET INCOME	+32 %	337.8	256.3	283.0	161.7	194.1
PER SHARE						
INCOME FROM CONTINUING OPERATIONS - DILUTED	+9 %	3.74	3.44	3.24	1.86	2.26
NET INCOME - DILUTED	+34 %	3.72	2.78	3.07	1.86	2.26
NET INCOME - BASIC	+34 %	3.75	2.80	3.10	1.87	2.29
DIVIDENDS DECLARED	+28 %	1.02	.80	.80	.89	.72
BOOK VALUE ¹	+8 %	28.27	26.17	24.74	20.42	19.39
MARKET PRICE - END		61.34	39.35	52.58	62.44	59.19
MARKET PRICE - HIGH		63.86	59.65	64.00	62.75	75.88
MARKET PRICE - LOW		39.31	34.14	42.30	36.44	49.00
AT YEAR-END						
ASSETS	+8 %	28,558	26,566	24,304	21,939	20,281
LOANS AND LEASES	+5 %	19,920	19,040	17,311	14,378	12,791
LOANS SOLD BEING SERVICED ²	+12 %	2,782	2,476	2,648	1,750	1,252
DEPOSITS	+4 %	20,897	20,132	17,842	15,070	14,062
LONG-TERM BORROWINGS	+41 %	1,843	1,310	1,022	563	566
SHAREHOLDERS' EQUITY	+7 %	2,540	2,374	2,281	1,779	1,660
PERFORMANCE RATIOS						
RETURN ON AVERAGE ASSETS		1.20 %	.97 %	1.19 %	.74 %	.97 %
RETURN ON AVERAGE SHAREHOLDERS' EQUITY		13.69 %	10.95 %	13.28 %	9.65 %	12.42 %
EFFICIENCY RATIO		55.65 %	63.40 %	61.60 %	64.92 % ³	66.55 %
NET INTEREST MARGIN		4.45 %	4.56 %	4.64 %	4.27 %	4.31 %
CAPITAL RATIOS ¹						
EQUITY TO ASSETS		8.89 %	8.94 %	9.38 %	8.11 %	8.18 %
TIER 1 LEVERAGE		8.06 %	7.56 %	6.56 %	6.38 %	6.16 %
TIER 1 RISK-BASED CAPITAL		9.42 %	9.26 %	8.25 %	8.53 %	8.64 %
TOTAL RISK-BASED CAPITAL		13.52 %	12.94 %	12.20 %	10.83 %	11.29 %
SELECTED INFORMATION						
AVERAGE COMMON-EQUIVALENT SHARES <i>(in thousands)</i>		90,734	92,079	92,174	87,120	85,695
COMMON DIVIDEND PAYOUT RATIO		27.20 %	28.58 %	26.11 %	34.65 % ³	29.33 %
FULL-TIME EQUIVALENT EMPLOYEES		7,896	8,073	8,124	6,915	6,833
COMMERCIAL BANKING OFFICES		412	415	412	373	362
ATMS		553	588	589	509	484

¹ At year-end.

² Amount represents the outstanding balance of loans sold and being serviced by the Company, excluding conforming first mortgage residential real estate loans.

³ Before impairment loss of \$96.6 million on First Security Corporation common stock.

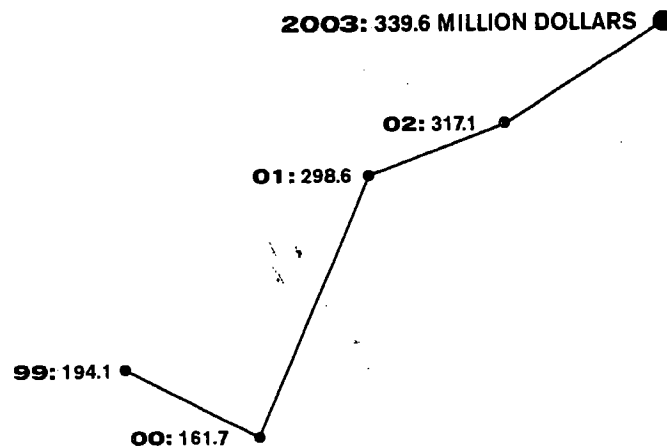
S. 300

Zions Bancorporation is one of the nation's premier financial services companies, consisting of a collection of great banks in select high-growth markets. Under local management teams and community identities, Zions operates over 400 full-service banking offices in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Utah and Washington. In addition, Zions is a national leader in SBA lending, public finance advisory services, agricultural finance and electronic bond trading. The Company is included in the S&P 500 Index. Investor information and links to subsidiary banks can be accessed at www.zionsbancorporation.com.



HARRIS H. SIMMONS CHAIRMAN AND CEO, ZIONS BANCORPORATION

Income from continuing operations
(for the years 1999-2003)



To Our Shareholders

IN A CHALLENGING ECONOMIC ENVIRONMENT, ZIONS BANCORPORATION ACHIEVED
RECORD EARNINGS AND A VERY STRONG TOTAL RETURN TO SHAREHOLDERS IN 2003.

WE ACCOMPLISHED THIS BY DOING SOME BASIC THINGS WELL:

Credit quality improved, our net interest margin remained relatively stable, and expenses were well controlled. At the same time, we undertook several strategic actions that strengthened the Company's capital and liquidity (while substantially increasing our dividend), reaped the rewards from some key investments, and dealt with some of our underperforming businesses. The result was a total return to shareholders (measured as total share price appreciation plus dividend yield) of 58.5%—among the highest in the industry in 2003.

EARNINGS SUMMARY

Zions Bancorporation's income from continuing operations was \$339.6 million or \$3.74 per diluted share in 2003, an increase of 7.1% and 8.7%, respectively, over the \$317.1 million or \$3.44 per diluted share earned in 2002. Net income was \$337.8 million or \$3.72 per diluted share, an increase of 31.8% and 33.8%, respectively, over the \$256.3 million or \$2.78 per diluted share earned in 2002. Importantly, our return on average equity increased from 10.95% in 2002 to 13.69% in 2003.

We accomplished this improvement in earnings and return on equity by doing a few things well in a challenging economic environment in which loan, deposit and revenue growth were only moderate.

We maintained credit quality. Credit quality improved measurably during 2003 relative to 2002, as nonperforming assets decreased 15.4% to \$98.0 million from \$115.7 million at the end of 2002. Nonperforming assets as a percentage of net loans, leases and other real estate owned decreased to .49%—nearly 20% lower than the prior year's level. Net charge-offs remained modest at .36% of average net loans and leases compared to .35% in 2002. Both the nonperforming asset and net charge-off ratios remain comfortably below the average levels experienced by our industry peers.

The strength and quality of our balance sheet after a prolonged period of economic weakness in the West is a source of optimism as we look to the future. Our credit process combines the strengths inherent in local responsibility for underwriting and the management of customer relationships, together with a strong central credit policy and independent credit administration and credit examination functions.

We kept the net interest margin relatively stable. Our net interest margin (taxable-equivalent net interest income divided by average interest-earning assets) declined modestly to 4.45% from 4.56% in 2002. We've generally been more successful than most of our industry peers in maintaining a stable net interest margin. However, the current historically low interest rate environment is challenging as we are limited in our ability to further reduce the rates we pay on many of our deposits (including a major portion of our demand deposits on which no interest is paid), while the yields on assets continue to be lower than in past periods. We employ

interest rate swaps and other hedging techniques to mitigate the risk of changing interest rates. But as hedges mature and are replaced with new hedges at current rates of interest, we expect the pressure on interest margins to continue until medium-term interest rates rise to levels more typical of those in years past.

We controlled expenses. Excluding a \$24.2 million charge taken to extinguish some long-term debt, noninterest expenses increased only 1.2% during the year. The Company's 55.7% "efficiency ratio"—the ratio of operating expenses to taxable-equivalent revenues, including discontinued operations—was a substantial improvement over the 63.4% ratio posted in 2002. The efficiency ratio was impacted by a number of nonrecurring and strategic items. We believe that the current run rate of the efficiency ratio is approximately 57%, still a significant improvement over the prior year. Our total full-time equivalent staff at the end of 2003 was 7,896—a 2.2% reduction from year-end 2002. We continue to look for opportunities to provide shared central services in areas where efficiencies can be achieved, while at the same time enhancing our ability to manage risk and more effectively serve customers.

KEY STRATEGIC ACTIONS

We strengthened capital and liquidity while increasing the dividend. In 2003 we took a number of steps to further strengthen the Company's balance sheet and liquidity positions. We substantially strengthened the parent company liquidity through the repurchase of \$197.4 million of subordinated notes maturing in 2011, and the subsequent issuance of \$500 million of subordinated notes maturing in 2015. Net medium-term debt also increased \$344 million during the year. The net cash from this financing activity by the parent company was used to reduce commercial paper, to provide funds for banking subsidiaries and for other corporate purposes.

Tangible common equity as a percentage of tangible assets reached 6.53% at year-end 2003 as compared to 6.06% at the end of 2002. This increase was accomplished even as we returned significant capital to shareholders. The quarterly dividend was increased 43% in the third quarter, and 2.1 million shares of the Company's common stock were repurchased during the year. The substantial increase in the quarterly dividend was prompted in part by the reduction in the federal tax rate applicable to dividends, and the establishment of tax parity between the capital gains and dividend tax rates.

At the present time, we do not plan to further materially increase capital ratios, and we expect that, at current levels of profitability, the Company will be able to increase its repatriation of capital to shareholders during the coming year.

We reaped rewards from strategic investing. During 2003 we sold our equity positions in several strategic investments, notably ICAP plc and LendingTree, Inc., reaping pretax gains of \$94.4 million.

We dealt with underperforming businesses. In 2003 we completed the sale of Lexign, Inc., substantially completing the restructuring or dissolution of underperforming e-commerce businesses initiated in 2002.

We also took important steps to reposition Vectra Bank Colorado and strengthen its focus on serving small and middle-market businesses and their employees in Colorado's major markets, together with serving upscale mountain communities in which the bank has been active. In conjunction with this restructuring, an impairment charge of \$75.6 million was taken to reduce the goodwill on the Company's balance sheet associated with our Colorado operations. We also executed contracts to sell 11 rural branches that are no longer consistent with the bank's focus. These branch sales

are scheduled to close in 2004. The Colorado management team was strengthened, new relationship officers were recruited, and the bank's expense structure was pared as staffing was reduced by over 9% during the year. We expect that as the Colorado economy improves, Vectra Bank Colorado will produce stronger earnings as a result of the actions taken this past year.

INVESTING FOR THE FUTURE

In addition to growing our individual banks, we took a number of actions during 2003 to strengthen Zions Bancorporation and to position the Company for growth in the years ahead.

During 2003 we continued to focus on strengthening our position as a premier provider of banking services to small and medium-sized businesses. We currently have business development officers located in sixteen states originating SBA 7(a) loans, mortgages under the SBA's 504 program and other low loan-to-value owner-occupied mortgages. Last year we originated nearly 2,500 loans aggregating over \$1 billion under these programs. Many of our best middle-market business relationships started with the extension of a small business loan. By focusing on small businesses, we not only serve the needs of entrepreneurs and of the local communities in which we operate, we ensure that we will be the bank of choice as these businesses grow and develop more sophisticated needs.

We have continued to invest in our wholly owned subsidiary, NetDeposit, Inc. The Check 21 Act, which was signed by President Bush last October and becomes effective October 28, 2004, facilitates the exchange of "Image Replacement Documents," or copies of checks, in place of the original items. It promises to revolutionize the processing of paper checks. NetDeposit® has developed what we believe

is the premier suite of products taking advantage of the provisions of the Check 21 Act. These products allow banks and their customers to accelerate the collection of funds and to greatly increase convenience by enabling businesses to remotely deposit images of checks with their depository banks. NetDeposit's products are receiving acclaim from many in the banking industry, and we are sanguine about the prospects for this venture, which we began in 1998. More information about NetDeposit may be found at www.net-deposit.com.

In 2003 we also initiated an expansion of the various private client services initiatives carried out by our affiliate banks with the hiring of management charged with building a more robust wealth management business throughout the Company. Our strong relationships with the owners of many small and mid-sized businesses provide us a tremendous opportunity to serve the wealth management needs of these individuals. Over the next few years, we will focus on developing stronger capabilities in wealth management, allowing us to provide more sophisticated investment and insurance products, tax and estate planning, and to deliver unparalleled service to this segment of our customer population.

BOARD OF DIRECTORS CHANGES

In April, we welcomed Patricia Frobes as a new member of the board of directors. Ms. Frobes is currently group senior vice president for Legal Affairs and Risk Management and general counsel for The Irvine Company in Newport Beach, California. Prior to joining The Irvine Company, Ms. Frobes served as a partner in O'Melveny & Myers LLP's Newport Beach office and as one of the firm's two vice-chairs. Her background in real estate law and her understanding of commercial real estate markets will be very helpful to Zions Bancorporation.

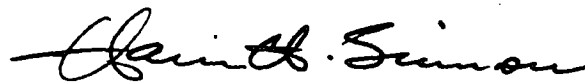
During 2003 we also accepted the resignation of I. J. Wagner from the board. Izzi Wagner has served Zions Bancorporation with distinction for 38 years, since the Company's initial public offering in 1965. We are grateful for his many contributions to our success, and we wish him well in his retirement.

THE YEAR AHEAD

As we begin a new year, we are cautiously optimistic that we will see improved job growth and better economic conditions in the West and throughout the nation. We begin the year with a strong balance sheet and a great capacity to meet the needs of our customers. As the economy grows, we believe we are incredibly well positioned to resume the kind of strong growth that has marked our past. We are located in six of the seven fastest growing states in the nation as projected out to the year 2025 by the U.S. Census Bureau, and we have an organizational structure and management team capable of responding quickly to customer needs.

We also have some of the most dedicated employees in the industry, and I'm proud to be associated with them in building one of the premier financial services businesses in our industry. Many of them are, like you, investors in this enterprise. We thank you for your continued support.

Respectfully,



HARRIS H. SIMMONS

Chairman, President and Chief Executive Officer

FEBRUARY 24, 2004

Zions Bancorporation's Guiding Principles

We are one of the nation's premier financial services companies, consisting of a "Collection of Great Banks" and other financial services businesses located in some of the country's best growth markets.

Our goal is to create value. Value for our customers. Value for the communities we serve. Value for our employees. And, most important, value for our shareholders. Creating shareholder value must be a pre-eminent objective since the support of our owners, whose capital has been entrusted to us, is essential to our very existence as an independent enterprise. The creation of enduring shareholder value requires that we achieve consistently superior risk-adjusted returns on capital and that we achieve healthy, strong earnings growth.

The critical elements of our business that must be mastered if we are to succeed might be characterized as the three legs of a stool:

- Effective management of a wide variety of risks
- Sales and the creation of a quality experience for our customers
- Control of operating costs

These three components of our business are at odds with one another, and must be continually balanced and strengthened.

We want to have a reputation for being "conservatively" entrepreneurial; for being nimble, innovative and energetic in creating solutions for our customers while being judicious in our acceptance of risks.

We recognize that banking is a "local" business and that, to be successful, we must have strong ties to the communities we serve and strong relationships with our customers.

We are committed to improving the quality of life for our customers on every rung of the economic ladder by enthusiastically engaging ourselves in community issues and offering creative financing solutions to challenging community needs.

We know that an exceptional company can only be built by exceptional people, working together as a great team. We value our employees, and we're committed to search out, recognize and create fulfilling opportunities for outstanding people within our organization, and to reward them for their contributions to our success.

Above all, we recognize that our business involves a great degree of public trust and must always be conducted with integrity and decency. We will operate within the spirit and letter of the law. We will be fair and forthright in our dealings with others. And we will strive to treat people—whether they be customers, employees, shareholders or even competitors—with respect and appreciation.

Understanding Business

A NATIONAL LEADER IN SERVING SMALL BUSINESSES, ZIONS BANCORPORATION CONSISTENTLY EXCELS IN MEETING THE FINANCIAL NEEDS OF SMALL BUSINESS OWNERS THROUGHOUT THE WEST. IN FACT, THE U.S. SMALL BUSINESS ADMINISTRATION AGAIN RANKED ZIONS IN THE TOP 10 NATIONALLY IN SBA 7(a) LENDING FOR 2003, WHILE ACHIEVING THE NUMBER ONE POSITION IN BOTH UTAH AND IDAHO.

**ZIONS BANCORPORATION RANKS
IN THE TOP 10 NATIONALLY IN:**

SBA 504 and Similar Loans

Agricultural Mortgages Sold in Secondary Market

Electronic Odd-Lot Bond Trading

Municipal Finance Advisory Services

SBA 7(a) Lending

ZIONS' COMMITMENT TO SMALL BUSINESSES

in each market is evident in its management model, one that empowers the local management to serve local businesses while still offering the dynamic backing of a strong, successful regional bank.

It's this local decision-making philosophy that permeates Zions, building trust, loyalty and personal service for customers that exceeds standard expectations. It also unites Zions' collection of great banks, producing a repeatedly impressive financial performance.

Understanding business in the West, effectively serving small companies, and succeeding at the local level—it's a set of principles that is winning customers in market after market from Seattle to southern Arizona.

"THEY TAUGHT US THE AMERICAN FINANCIAL SYSTEM."

Ken Wong and Hillary Lin started banking with Zions Bank while attending college in Logan, Utah. Upon graduation, they made plans to start a sock manufacturing business with Zions' help. Their first store in 1991 was a mere 200-square-foot space. Since then, Lin Manufacturing & Design has expanded operations several times to accommodate demand for both their high-quality novelty socks and private labels, popular with companies such as Nordstrom and Disney.

Getting the business off the ground took some training. Zions Bank started by introducing LM&D to the ins and outs of the American financial system, beginning with SBA programs. As the company grew, the bank offered advice on business plans, provided financial information consulting, and guided LM&D with an array of financing options from money market accounts to financing options with domestic suppliers. For LM&D, the efforts have produced more than just financial success—they've produced satisfaction. Which is what supporting small business is all about.



THE FARMER'S

A FRIEND WHO UNDERSTANDS RICE FARMING."

In the late 1920s, Keisaburo Koda and his family immigrated to the San Joaquin Valley to start a new rice farming venture. An innovator and pioneer in the rice industry, Keisaburo soon became known among Japanese Americans as the "Rice King." Eighty years later, the family-owned company continues to garner an unmatched reputation for quality among discerning clientele.

The same might be said for California Bank & Trust. Since 1978, CB&T has provided Koda Farms with a variety of services, ranging from capital investment financing to cash flow management. More important, the bank has established a friendship that transcends typical client-bank relationships. For some companies, having a friend at the bank may seem a small thing. But for a client passionate about small things—things such as rice—it's been a very big deal.



APARTSMASTER
THE GUY

"I'M NOT JUST A NUMBER."

Dave Schlecht had a different view than industry experts on how to be successful in the maintenance repair and operation (MRO) supply business, serving the multifamily apartment market. So he started his own company, beginning operations from his spare bedroom closet. Nineteen years later, AZ Partsmaster has grown to include four warehouses totaling more than 77,000 square feet.

From the start, National Bank of Arizona worked with Dave to fully understand his approach to the MRO supply business, then provided both the expertise and the right financing to help AZ Partsmaster succeed. Today, AZ Partsmaster is a dominant player in the MRO supply business in Arizona and has expanded operations into Nevada and Colorado. But, as Dave points out, that success involved more than NBA's financial investment. It involved getting to know him as an individual and not just as another "part."



PATRICK SMITH PRESIDENT

**"WE'LL STAY LOYAL CUSTOMERS BECAUSE
THEY'VE BEEN LOYAL
FROM THE START."**

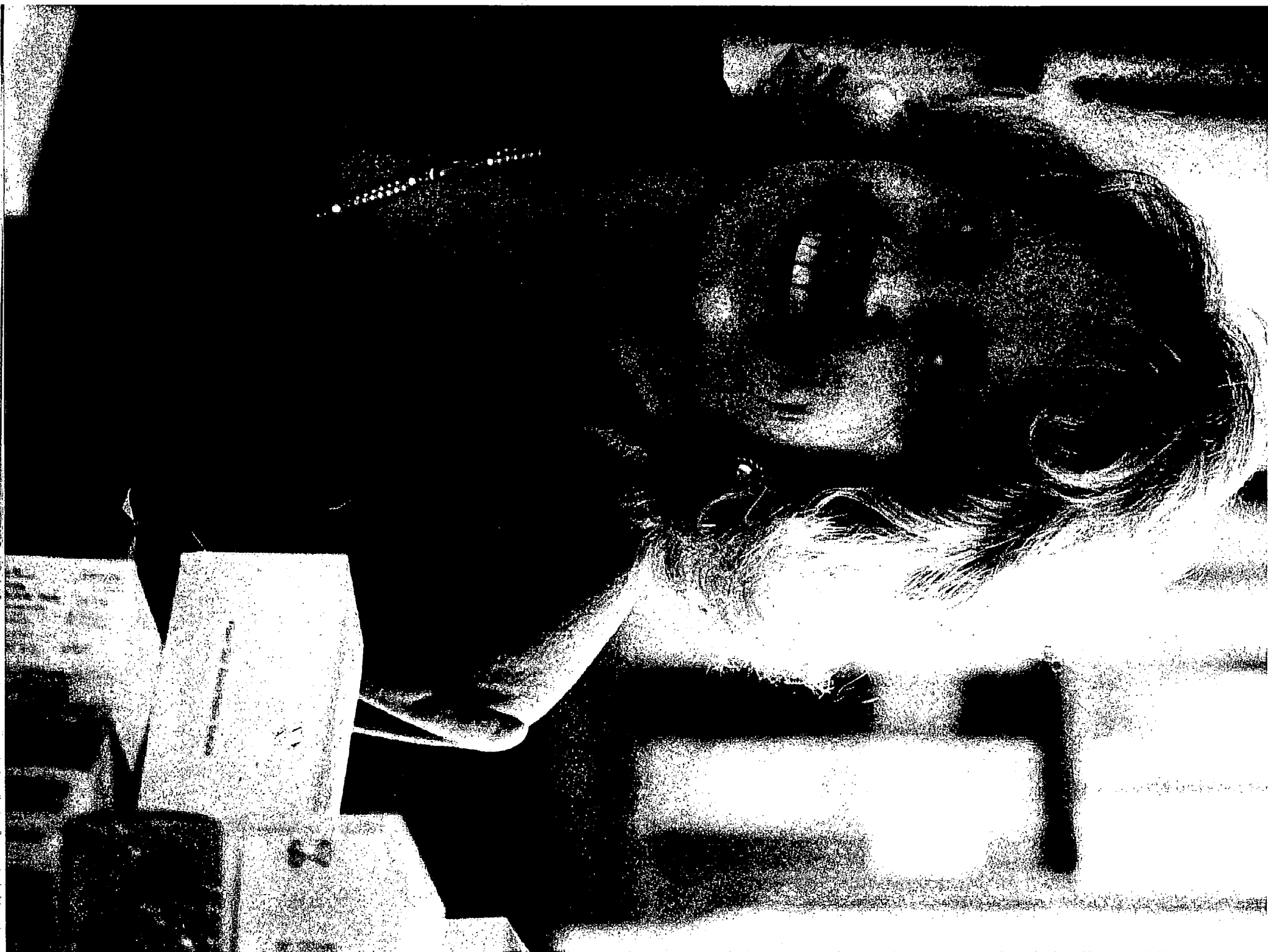
The secret to Nevada State Bank's success with Regional Emergency Medical Services Authority is simple: help the client succeed. By being open to a struggling new company, NSB displayed a level of trust that has benefited both parties for 14 years. It also engendered fierce loyalty.

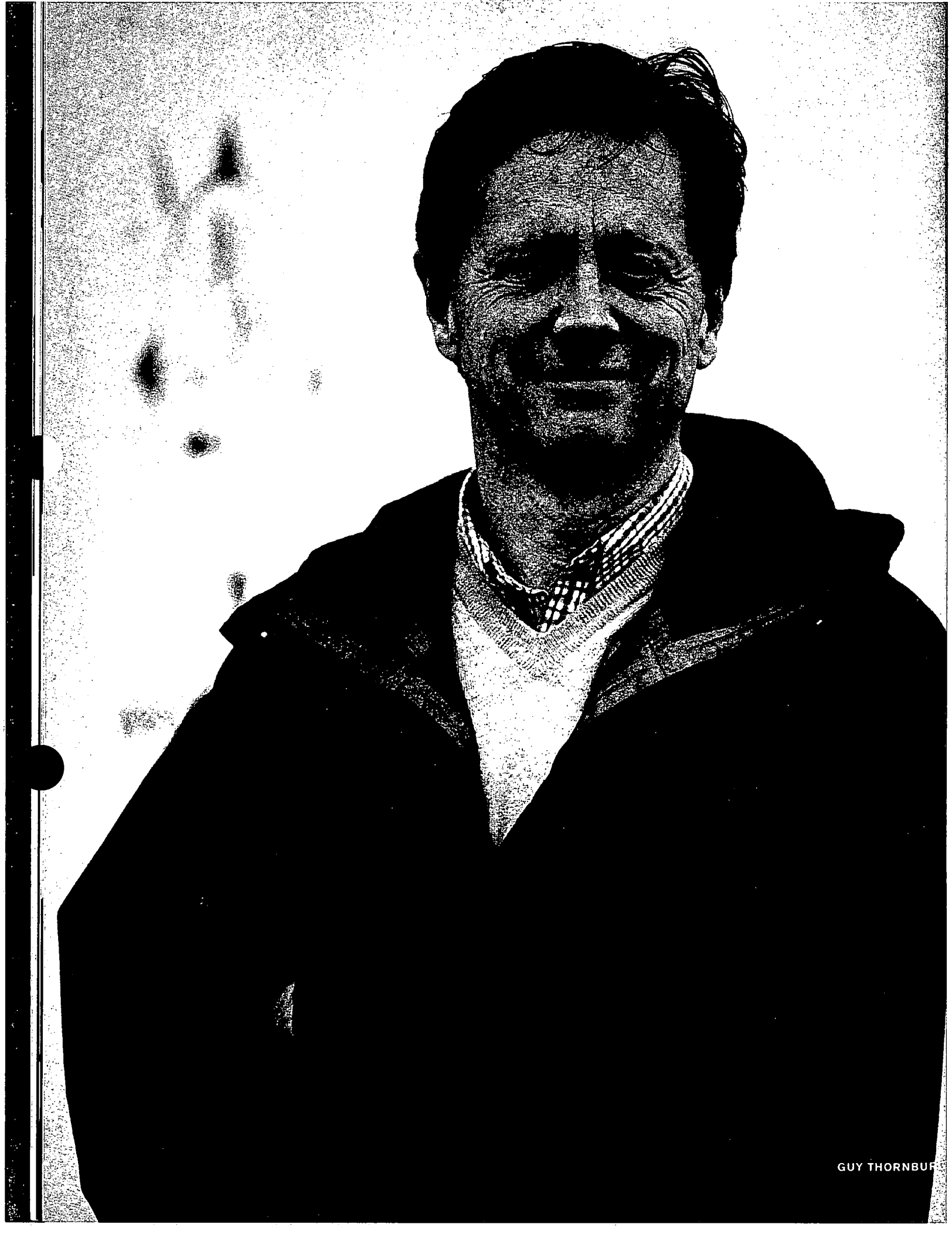
The bank has helped REMSA grow to 250 employees, 3 helicopters, 24 ambulances and 6 wheelchair vans. With such exponential growth over the last few years, REMSA's business is now sought by many other banks that earlier shied away from the company. But Patrick Smith isn't tempted. For him, it's about the relationship, not about dollars and cents. So it may come as no surprise that he's sticking with the bank that supported small business from the beginning.

“THEY ARE SOPHISTICATED ENOUGH FOR OUR INTERNATIONAL NEEDS

Maryella Young's small business story is a familiar one. She started out of her basement and—with the help of a small, local bank—quickly grew. In short order, AmeriMed Corp. had expanded from a local Colorado interest to an international medical supplier that required local, national and international financing. Maryella quickly recognized the need for a more sophisticated bank, but she didn't want to sacrifice her local bank's customer service.

Vetra Bank of Colorado was the perfect solution. Its International Division met all of AmeriMed's criteria, providing direction on international marketing, currency exchange and new venture financing—all the services her business required. What's more, Maryella never lost the personalized, small bank service to which she's become accustomed. That's the advantage of Zions Bancorporation's local banking model and the reason why Zions remains a leader in small business lending nationwide.





GUY THORNBUR

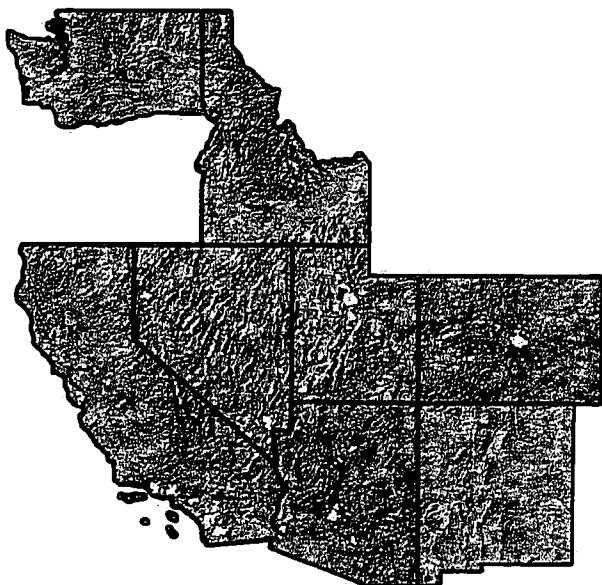
"WE TRUST EACH OTHER."

Northwest Marine Technology developed and now manufactures the technology that tags and identifies fish and other aquatic animals with minimal human handling—an invaluable tool for hatcheries and marine biologists. It's a unique company founded primarily on intellectual property, which means business must be conducted with strict confidentiality and absolute trust.

For some banks, that could be considered a risk. But for the Commerce Bank of Washington, that factor was overshadowed by an impressive group of scientists who inspired trust. As a result, Commerce has provided significant business support for their company, from facilitating international ventures to consulting on business plans and even negotiating a tricky building lease at the Anacortes Airport. It's the type of service you'd expect from a bank committed to small business—and to trust.

Zions Bancorporation Quick Facts

AS OF DECEMBER 31, 2003



Zions Bancorporation is a leading financial services company aptly defined as a collection of great banks in the West's best growth markets. Led by locally empowered management teams, Zions operates more than 400 full-service, community-minded banking offices in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Utah and Washington. Investor information and links to subsidiary banks can be accessed at www.zionsbancorporation.com.

Bank	Headquarters	CEO	Offices	ATMs	Assets (In thousands)	Deposits	State Rank* by Bank Deposits
ZIONS BANK*	Salt Lake City	A. Scott Anderson	148	206	\$ 10,597,631	\$ 7,104,029	UT #1 / ID #6
CALIFORNIA BANK TRUST	San Diego	David E. Blackford	91	108	9,216,033	7,637,559	#8
 National Bank OF ARIZONA	Phoenix	John J. Gisi	54	54	3,067,424	2,539,140	#4
 NEVADA STATE BANK	Las Vegas	William E. Martin	66	88	2,957,847	2,555,114	#4
 VECTRA BANK COLORADO	Denver	Bruce K. Alexander	52	97	2,532,206	1,763,986	#4
 THE COMMERCE BANK OF WASHINGTON	Seattle	Stanley D. Savage	1	-	705,055	452,691	#14

* FDIC insured institutions excluding thrifts and industrial loan corporations, 6/30/2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

COMPANY OVERVIEW

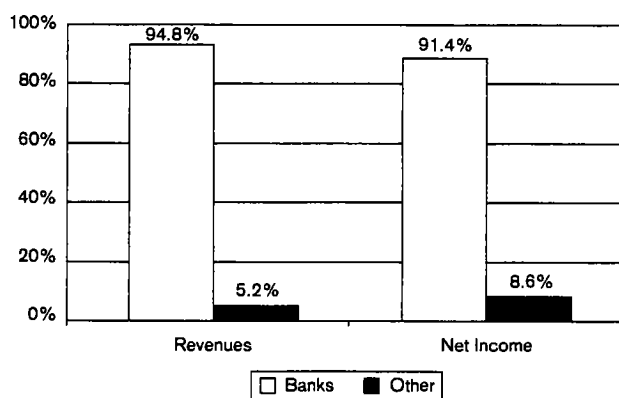
Zions Bancorporation ("the Parent") and subsidiaries (collectively "the Company", "Zions", "we", "our") is a financial holding company headquartered in Salt Lake City, Utah. The Company operates banking businesses primarily in seven Western states. These banking operations currently generate the majority of the Company's revenues and profits. In addition, Zions operates a number of specialty financial services and financial technology businesses on a regional or national scale.

In operating its banking businesses, Zions seeks to combine the advantages that it believes can result from decentralized organization and branding, with those that can come from centralized risk management, capital management and operations. In its specialty financial services and technology businesses, Zions seeks to develop a competitive advantage in a particular product, customer or technology niche.

BANKING BUSINESSES

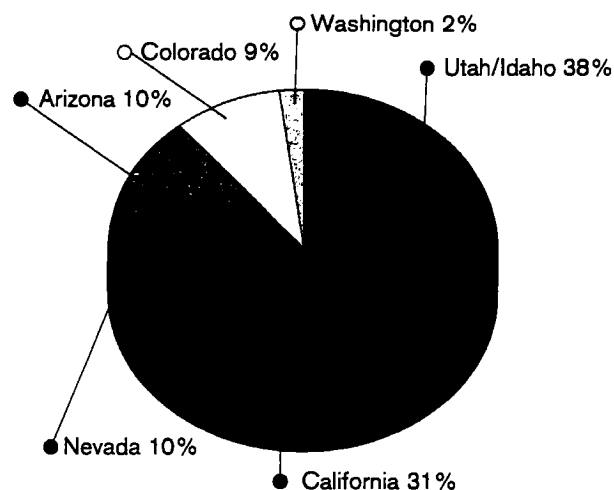
As shown in Chart 1, in 2003 the banking franchises accounted for 94.8% of the Company's total revenue and 91.4% of its net income. Other sources of income for 2003 consisted primarily of gains on sales of investments, which are discussed in more detail in "Noninterest Income" on page 35.

CHART 1 - BANK FRANCHISE CONTRIBUTION



As shown in Chart 2, revenue from the banking franchises is widely diversified among the states in which the Company operates.

CHART 2 - BANK REVENUE BY GEOGRAPHIC SOURCE

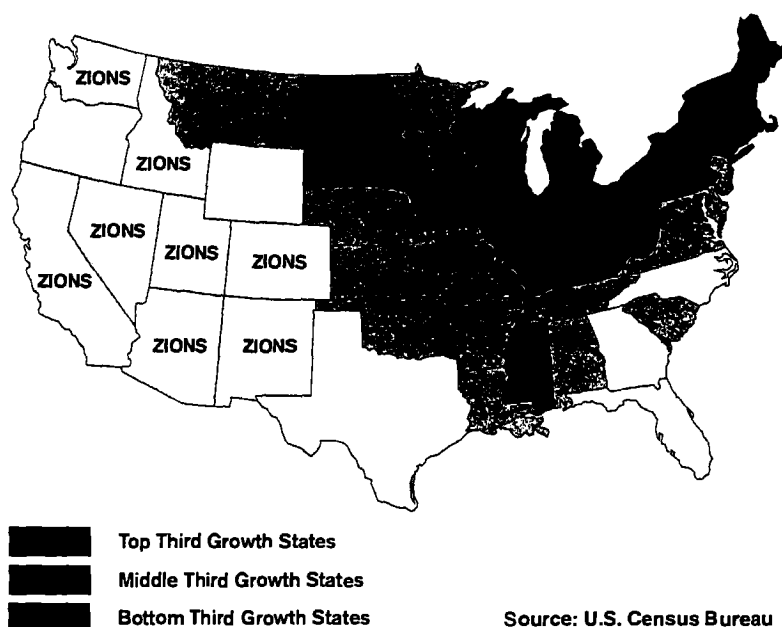


Our growth strategy for Zions' banking business is driven by several key factors: (1) focus on high growth markets; (2) keep decisions about customers local; and (3) centralize technology and operations to achieve economies of scale.

Focus on high growth markets: Zions conducts its banking business in the Western States – primarily Arizona, California, Colorado, Idaho, Nevada, Utah, and Washington, with a small presence in New Mexico. Each of these states has experienced historical growth and each ranks among the top one-third of the fastest growing states as projected by the U. S. Census Bureau. These states have high population growth relative to other states, largely driven by inward migration from other parts of the United States and from other countries.

Within these geographic regions, we focus on what we believe to be the most attractive segments. We believe that the states in which Zions operates have rates of business formation and expansion higher than in other states. We also believe that these states have higher rates of commercial real estate development to provide housing, shopping, business locations and other

CHART 3 - PROJECTED POPULATION GROWTH TO 2015



Source: U.S. Census Bureau

amenities for their growing populations. As a result, a common focus of all of Zions' subsidiary banks is small and middle market business banking (including the executives and employees of those businesses) and commercial real estate development. In many cases the Company's relationship with these customers is primarily driven by the goal to satisfy their needs for credit to finance their expanding business opportunities. In some states we also pursue a broad base of consumer business, which is often more deposit driven. This mix of business often leads to loan balances growing faster than internally generated deposits. In addition, it has important implications for the Company's management of certain risks, including interest rate and liquidity risks, which are discussed further in later sections of this document.

The Company historically has also generated rapid growth through acquisitions of other community banks. However, in recent years acquisitions have not been an important contributor to growth. We believe that average prices paid for acquired banks have generally steadily escalated over the past two decades, as measured by such common metrics as

premium-to-deposits and price-to-book value. Price expectations of sellers, therefore, have become high. At prices typically paid in today's market, we believe that it could be more difficult than in prior years to create economic value for the Company's shareholders through acquisitions. While we will continue to pursue acquisitions as a growth strategy, we believe that bank acquisitions, in general, may be a less important contributor to the Company's growth in the near future.

Keep decisions about customers local: To assure that decisions related to customers stay local, the Company operates six different community/regional banks, each under a different name and a separate charter and each with its own chief executive officer, management team and local market strategies. Each bank controls, among other things, all decisions related to its branding, market strategies, its customer relationships, pricing and credit decisions (within corporate policy). In this way each bank seeks to differentiate itself in the market from much larger "mass market" banking competitors that operate regional or national franchises under a common

brand, often organized around "vertical" product silos. We believe that this management approach allows Zions to attract and retain superior management, and we believe that it results in superior customer service to our target customers. We also believe that this strategy over time generates superior growth.

Centralize technology and operations to achieve economies of scale: We seek to differentiate the Company from smaller banks in two ways. First, we use the combined scale of all the Company's banks to create a broad product offering without the fragmentation of systems and operations that would drive up costs. Second, for certain products for which economies of scale are believed to be important, the Company "manufactures" the product centrally, or sources it from a third party. Examples include cash management, credit card, mortgage servicing, trust and deposit operations. In this way the Company over time seeks to remain efficient while generating superior growth.

SPECIALTY FINANCE AND TECHNOLOGY BUSINESSES

In addition to its community and regional banking businesses, the Company operates a number of specialized businesses that are not geographically organized, but rather are national in scope. In some cases, results from these businesses are included within the results of one or more of the bank business segments. In other cases, these businesses are included in the "Other" segment, which also includes the Parent and other nonbanking subsidiaries. Key among these businesses are:

Included in Bank Segments:

- Low loan-to-value, owner-occupied, first mortgage small business commercial loans
- SBA 7(a) lending
- Farmer Mac lending
- Identrus, LLC – identity authentication
- Odd lot electronic bond trading
- Venture capital funds
- Public finance advisory and underwriting

Included in "Other" Segment:

- NetDeposit, Inc. – check digital imaging and clearing software and services

- P5, Inc. – health care claims reconciliation services and receivables factoring
- Providus Software Solutions, Inc. – software for assessing and managing operating risk

RISK MANAGEMENT

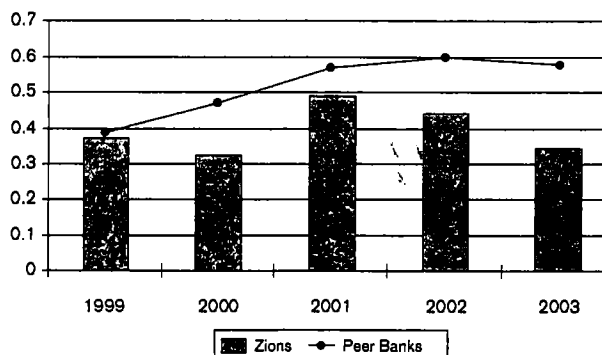
Zions has centralized key risk management functions to assure independence and consistent application. The key centralized risk functions are:

- Credit policy and credit examination
- Interest rate and market risk management ("Asset-Liability Management" or "ALM")
- Liquidity risk management
- Operational risk assessment
- Internal audit

We believe that centralization of these risk management functions is in part responsible for consistently superior risk performance in relation to peers. For example, as displayed in Charts 4 and 5, for two key measures of credit risk (nonperforming assets to total assets and net losses to average total loans), the Company has consistently recorded better results than the average of peer bank-holding companies.

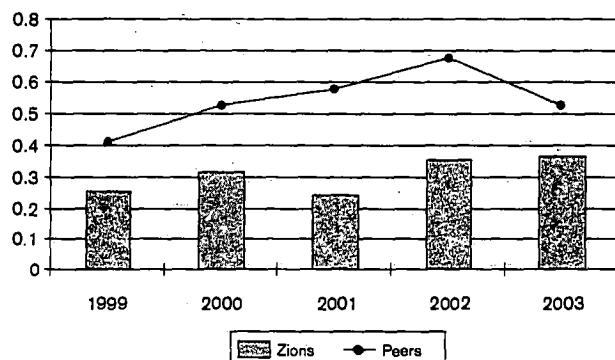
The nature of the Company's core banking businesses poses particular challenges for managing liquidity and interest rate risk. Zions' location in the fast-growing West and its focus on business banking means that it often does not generate deposit growth as rapidly as loan growth. While in late 2002 and much of 2003 robust deposit growth more than kept pace with

CHART 4 - NONPERFORMING ASSETS AS A PERCENTAGE OF TOTAL ASSETS



Note: Peer group is defined as bank holding companies with assets > \$10 billion.
Peer data source: SNL Financial Database
Peer information for 2003 is from 3rd quarter 2003.

**CHART 5 - NET LOSSES AS A PERCENTAGE OF
AVERAGE TOTAL LOANS**



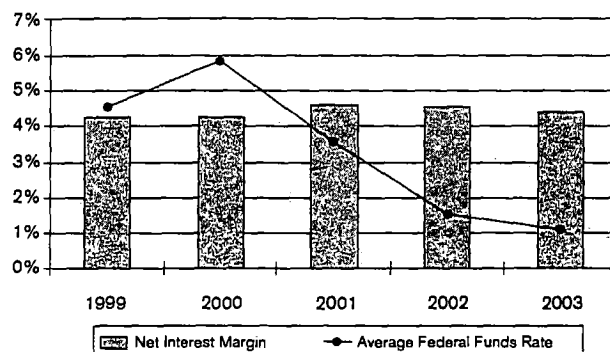
Note: Peer group is defined as bank holding companies with assets > \$10 billion.
Peer data source: SNL Financial Database
Peer information for 2003 is from 3rd quarter 2003.

slower loan growth, historically this has not been the case. We also do not believe this will be the case going forward. Hence, we have engaged in securitizing assets and managing a securities conduit to help fund asset growth. This is explained in more detail in "Liquidity Management" on page 64.

Our focus on business banking also determines the nature of the Company's asset-liability management posture. In particular, this business mix leads naturally to a highly "asset sensitive" position, which we seek to mitigate in various ways, including an ongoing program of hedging floating rate commercial loans. Our approach toward asset-liability management, which is discussed in more detail in the section on page 59 entitled "Interest Rate Risk", has enabled the Company to achieve a relatively stable net interest margin in a volatile interest rate environment. For example, Chart 6 shows the Company's margin over time, compared to the average Federal Funds rate.

Of particular note, in January 2004 the staff of the Financial Accounting Standards Board ("FASB") issued for comment a proposed interpretation of Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, that would disallow "Prime" as an acceptable index for cash flow hedges. We believe that a number of banks (including

CHART 6 - NET INTEREST MARGIN



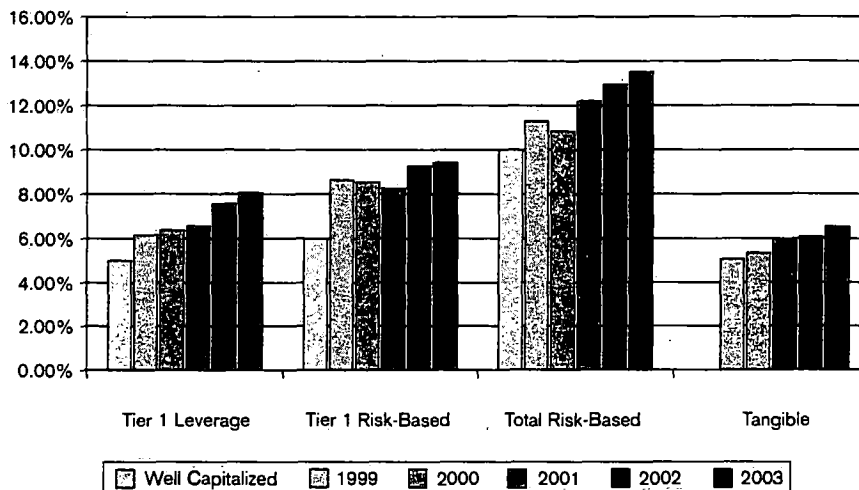
Zions), accounting firms and regulators will submit comments opposing this proposal. However, if it is issued in its current form, we would be required to significantly change the Company's interest rate risk management practices.

Further discussion of the Company's use of and accounting for hedges is found in the section entitled "Interest Rate and Market Risk Management" on page 59 and Notes 1 and 7 of the Notes to Consolidated Financial Statements.

CAPITAL MANAGEMENT

We believe that the Company should maintain adequate capital to support its businesses and the risks inherent in them, but it should not retain capital in excess of those needs. Thus, we seek to maintain capital ratios consistent with achieving an "investment grade" rating on the Company's debt, and to meet relevant "well capitalized" regulatory standards at all times. We believe that the capital ratios achieved in 2003 are consistent with those objectives, and presently do not plan to further materially increase the Company's key capital ratios. See "Capital Management" on page 66 for more information on capital requirements.

CHART 7 - CAPITAL RATIOS



MANAGEMENT'S OVERVIEW OF 2003

The Company reported record earnings for 2003 of \$337.8 million or \$3.72 per diluted share, compared with \$256.3 million or \$2.78 per share for 2002, and \$283.0 million or \$3.07 per share in 2001. Income from continuing operations for 2003 was \$339.6 million or \$3.74 per diluted share, an increase from \$317.1 million or \$3.44 for 2002, and \$298.6 million or \$3.24 for 2001.

The Company's primary or "core" business consists of providing community and regional banking services to both individuals and businesses in the Western states. We believe that this core banking business performed well during 2003 despite the difficult economic environment that these markets continue to experience. However, while we believe that the general economy in the Company's markets is improving, the cautious optimism that we maintained in 2003 with regard to the Company's growth is still appropriate and will continue to influence our decisions.

PERFORMANCE SUMMARY

The key indicators that we look to when evaluating the Company's performance displayed positive and encouraging results for 2003. Taxable-equivalent net interest income increased 5.9% over 2002, despite the difficult interest rate environment that persisted throughout 2003, and in light of a slight erosion in the

net interest margin that we experienced during the same period. We attribute this reduction in the margin to the Company's "asset sensitive" position with regard to asset-liability management ("ALM"), in an environment that has been characterized by sustained low interest rates. We also expect that we will see continued downward pressures on our margins in 2004. See "Interest Rate Risk" on page 59 for more information on the Company's ALM philosophy and practice.

EXPENSES

In 2002, we announced our intention to place a greater focus on controlling expenses with a goal of taking \$50 million out of the annual run-rate of expenses by mid-2003. We believe that our efforts have been successful as reflected in the improvement in the Company's efficiency ratio from 63.40% in 2002 to 55.65% in 2003. The efficiency ratio is the relationship between noninterest expense and total taxable-equivalent revenue. However, since the ratio for 2003 was favorably influenced by some large equity gains that took place in the third quarter of 2003, it may not be indicative of a sustainable ratio in the future. We believe that the efficiency ratio that we achieved in the fourth quarter of 2003 of 56.38% may be more indicative of the current "run-rate" for the ratio, although we expect to continue our efforts to identify opportunities for operating efficiencies and additional cost savings in the future.

ASSET QUALITY

The Company's asset quality also experienced improvements during 2003. The ratio of nonperforming assets to net loans and other real estate owned was 0.49%, which is its lowest level since the fourth quarter of 2000. Based on data that we have available, the Company's credit quality trends remain better than its peer average as measured by nonperforming asset and charge-off data. In addition, if the present economic recovery continues, we expect, based on the data available, to see continued stable to improving trends in credit quality indicators.

DEPOSIT AND LOAN GROWTH

Growth in deposits and loans is also a gauge that we use to measure the Company's performance. The strong deposit growth that the Company enjoyed in 2002 slowed significantly in 2003. The 12.8% growth in 2002 decreased to 3.8% in 2003. However, the mix of deposits improved during 2003 with time deposits generally being replaced by demand, savings and money market deposits. We believe that the rate of increase in 2002 and early 2003 was unusual and caused by a combination of two factors. These were reduced levels of investments in market instruments (e.g., stocks, bonds and mutual funds) during periods of perceived high risk, and businesses reducing expenses and inventories during a period of slower economic activity, both of which resulted in increased cash balances in bank deposit accounts. We believe that these deposit growth drivers may be weakening as financial markets and economic activity rebound. This could result in a downward trend in deposit growth, which may continue throughout 2004 and require us to use alternative sources to meet our funding needs.

Loan growth was modest for 2003 reflecting an improving but still soft economy in Zions' primary markets. In particular, we experienced strong loan growth in Arizona and Nevada but this strength was offset by net slower growth in California and Colorado. In addition, in Utah we experienced moderate loan growth that we expect will continue in 2004.

In California, we continue to experience reasonably strong new originations of commercial real estate, commercial business and consumer loans, although the consumer lending business for us in California is relatively new and growing from a small base. However, intentional run-off of certain acquired portfolios, a high rate of refinance activity in commercial real estate term lending and rapid sales of completed homes in our residential construction lending offset these originations. Finally, a portion of the growth that we experienced in California in 2003 resulted from purchases of adjustable-rate (generally "5/1 ARM") mortgages by California Bank & Trust in connection with its asset-liability management efforts. We anticipate that in 2004 this commercial real estate refinance activity and intentional run-off of acquired portfolios will diminish, allowing California Bank & Trust to generate net loan growth for the year.

In Colorado, the Company engaged in a complete strategic review of its subsidiary, Vectra Bank Colorado ("Vectra"). As part of the review, the Company recorded impairment charges, severance and restructuring charges and made a number of decisions regarding Vectra's strategy. We decided to de-emphasize certain types of businesses, including several specific lending products, and focus more specifically on providing services to small- and mid-sized businesses and their employees. Net loan, deposit and income growth was depressed in 2003 by both the implementation of those decisions and the poor economic environment. In addition, eleven branches with approximately \$150 million of loans and deposits are currently under contracts to be sold. These sales are expected to close in the first half of 2004, and selling those loans and deposits will depress net growth in the first half of the year. However, as 2003 ended, Vectra's pipeline of new potential business was strengthening, and we currently believe that net positive growth will resume later in 2004.

CAPITAL

Since Zions is a regulated financial institution, the Company and the subsidiary banks are required to maintain adequate levels of capital as measured by

several regulatory capital ratios. One of our goals is to maintain capital levels that are at least "well capitalized" under regulatory standards. In addition, the Parent and its subsidiaries have issued various debt securities that have been rated by the principal rating agencies. Another goal is to maintain capital at levels consistent with an "investment grade" rating for these securities. The Company has maintained its well capitalized status and its capital ratios have increased over the past five years to their current levels.

We believe that the Company has adequate levels of capital in relation to its balance sheet size, business mix and levels of risk and, as a result, we do not presently plan that the capital ratios will materially increase from their present levels. It is our belief that capital not considered necessary to support current and anticipated business should be returned to the Company's shareholders through dividends and repurchases of its shares and, in particular, the Company does not hold capital in anticipation of possible acquisitions. Historically, the Company has emphasized share repurchases over dividends, due to the lower federal tax rate applied to capital gains. However, with the change in tax law to reduce and equalize the tax rates applied to dividends and capital gains, in the third quarter of 2003 the Company increased its quarterly per share dividend 43%, from \$0.21 per share to the current rate of \$0.30 per share. The Company paid \$91.9 million in common stock dividends in 2003, and used \$106.8 million to repurchase shares of Zions common stock. In total, we returned to shareholders \$198.7 million out of total net income of \$337.8 million, or 58.8%. Additional information on capital management is found in the section entitled "Capital Management" on page 66.

CHALLENGES TO OPERATIONS

By far the largest operating challenges that we faced during 2003 were directly tied to the economies in our various markets and we believe that these challenges will continue into 2004, although they do appear to be moderating. The interest rate environment that we experienced has left little room for us to reduce the costs of our deposits, while at the same time older higher-rate loans and investments have been maturing or paying down. This has placed downward pressure on our net interest margin.

Loan demand remains weak in some geographical areas and for some product lines. In addition, we believe that expense and inventory reductions that have been realized by companies in the industrial sectors have led to cash build-ups, which likely will be reduced before new loan funding is needed.

On the positive side, however, Arizona and Nevada have experienced improved loan demand. In addition, low rates continue to help keep the demand for consumer mortgages relatively high, and our credit quality has consistently improved throughout 2003 and exceeds most of our peers in terms of nonperforming assets and net charge-offs.

The geographic regions in which the Company operates should strengthen with the anticipated improvements in the economy. However, if the economy continues to improve, we would also expect to begin to see customer funds leave the safety of insured deposits and move to such areas as higher-risk stocks and mutual funds, or to fund customers' business activities. If this occurs, we will need to look to securitization of assets and higher-cost funding sources to finance earning asset growth.

Competition with credit unions also continues to be a significant challenge. Their aggressive expansion with new branch construction moving across the Company's markets will present ongoing competitive pressures. While this is an issue in all of Zions' markets, it is especially acute in Utah at the present time.

STRATEGIC DECISIONS

Over the past three years, we have made a number of strategic decisions to help position the Company for improved performance in the future. The following table summarizes the income statement effects of these and certain other actions on pretax and after-tax earnings and on diluted earnings per share for the years 2003, 2002 and 2001.

Please refer to this table as part of the following discussions of the key decisions that we made during 2003. These events are also more fully discussed in subsequent sections of Management's Discussion and Analysis.

VECTRA BANK COLORADO

Beginning in 1997, the Company commenced banking operations in Colorado through a series of acquisitions, which were combined into Vectra. In the ensuing years, Vectra has taken a number of steps to improve its performance. However, in light of continued weak economic conditions in Colorado, Vectra's performance has not yet met our expectations. Early in 2003, we engaged a national consulting firm to assist Vectra in analyzing its strategy and accelerating its performance improvement. This analysis resulted in a decision to restructure Vectra to enable it to focus on small- and mid-sized businesses and their employees. As noted in the following table, this restructuring and an accompanying goodwill impairment analysis in accordance with the requirements of SFAS No. 142, *Goodwill and Other Intangible Assets*, resulted in our writing off \$75.6 million of the goodwill associated with Vectra.

	2003			2002			2001		
	Pretax	After-tax	EPS effect	Pretax	After-tax	EPS effect	Pretax	After-tax	EPS effect
<i>(In millions, except per share amounts)</i>									
Noninterest income:									
Equity securities gains (losses), net:									
Net write-downs of venture capital investments and a minority interest in an investment banking firm	\$ (30.6)	(18.9)	(0.21)	(28.7)	(17.7)	(0.19)	(39.6)	(24.4)	(0.26)
Gain on sale of ICAP, plc	68.5	42.3	0.47	-	-	-	-	-	-
Net gain on sales of other equity investments	25.9	16.0	0.18	3.4	2.1	0.02	6.0	3.7	0.04
Gains from Concord EFS, Inc. transactions	-	-	-	-	-	-	70.8	42.7	0.46
Subtotal	63.8	39.4	0.44	(25.3)	(15.6)	(0.17)	37.2	22.0	0.24
Noninterest expense:									
Debt extinguishment cost	24.2	15.0	(0.16)	-	-	-	-	-	-
Restructuring charges	1.9	1.2	(0.01)	3.3	2.0	(0.02)	-	-	-
Impairment losses on certain long-lived assets	2.7	1.6	(0.02)	4.9	3.1	(0.03)	-	-	-
Merger related expense	-	-	-	-	-	-	7.3	4.5	(0.05)
Subtotal	28.8	17.8	(0.19)	8.2	5.1	(0.05)	7.3	4.5	(0.05)
Impairment loss on goodwill	75.6	75.6	(0.83)	-	-	-	-	-	-
Other tax effects	n/a	7.3	0.08	-	-	-	-	-	-
Discontinued operations:									
Impairment losses and loss on sale	(2.4)	(1.5)	(0.02)	(28.7)	(22.7)	(0.25)	-	-	-
Cumulative effect of change in accounting principle	-	-	-	(35.0)	(32.4)	(0.35)	(11.7)	(7.2)	(0.08)
Total significant unusual items	\$ (43.0)	(48.2)	(0.52)	(97.2)	(75.8)	(0.82)	18.2	10.3	0.11

In addition, Vectra has taken a number of other steps to improve its financial performance, including consolidating operations, reducing staff costs, and hiring new business development officers and management. Also included in these actions is the sale of eleven branches in areas that no longer fit Vectra's new strategic direction. These branches are all under contracts of sale in two transactions and are expected to close in the first half of 2004. Upon closing, approximately \$150 million of loans and deposits, and associated revenues and expenses, will no longer be included in Vectra's financial statements, temporarily depressing Vectra's net growth. We believe, however, that the restructuring is a positive step toward improving the future profitability of this subsidiary bank.

EQUITY SALES

In 2003, we made a decision to sell the Company's investment in ICAP plc ("ICAP"). Net proceeds from the sale were approximately \$106.8 million and the Company realized a pretax gain of approximately \$68.5 million in connection with the sale. In 2003, we also sold our investment in Lending Tree, Inc. for net proceeds of \$25.6 million, from which the Company realized a pretax gain of approximately \$21.1 million.

In addition, we sold our investment in Lexign, Inc., which completed our previously announced plan to sell portions of the Company's e-commerce investments. The sale resulted in a pretax loss of \$2.4 million. With this sale, the Company disposed of the last of the businesses that were written down in 2002 and moved into discontinued operations.

RESULTS OF OPERATIONS

NET INTEREST INCOME, MARGIN AND INTEREST RATE SPREADS

Net interest income is the difference between interest earned on assets and interest incurred on liabilities. When we discuss net interest income on a taxable-equivalent basis, we have adjusted net interest income such that any income that is exempt from income taxes is "grossed-up" to become comparable to the income that is taxable. We believe that presenting net interest income on a tax-equivalent basis provides a better comparability of income received from both taxable and tax-exempt sources. In addition, such presentation is consistent with industry practice.

On a taxable-equivalent basis, net interest income for 2003 was up 5.9% from 2002, which was up 8.9% from 2001. The tax-equivalent adjustments to net interest income for 2003, 2002 and 2001 were \$22.9 million, \$21.3 million, and \$20.2 million, respectively. The increase in taxable-equivalent net interest income for both years was driven primarily by growth in average earning assets of 8.4% in 2003 and 10.8% in 2002, offset by the effects of declining net interest margins.

Taxable-equivalent net interest income is the largest component of Zions' revenue. For the year 2003, it was 69.5% of our taxable-equivalent revenues, compared to 73.7% in 2002 and 70.2% in 2001. The decrease in the percentage for 2003 was primarily caused by the previously discussed gain on the sale of ICAP, which increased noninterest income in relation to total taxable-equivalent revenues. By its nature, net interest income is especially vulnerable to changes in the mix and amounts of interest-earning assets and interest-bearing liabilities. In addition, changes in the interest rates and yields associated with these assets and liabilities significantly impact net interest income. See "Interest Rate and Market Risk Management" on page 59 for a complete discussion of how we manage the portfolios of interest-earning assets and interest-bearing liabilities.

SCHEDULE 1
DISTRIBUTION OF ASSETS, LIABILITIES, AND SHAREHOLDERS' EQUITY
AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Amounts in millions)	2003			2002		
	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
ASSETS:						
Money market investments	\$ 1,343	13.0	0.97%	\$ 1,199	18.6	1.55%
Securities:						
Held to maturity	-	-		43	2.3	5.34
Available for sale	3,736	171.5	4.59	3,209	170.0	5.30
Trading account	711	24.7	3.47	611	22.1	3.62
Total securities	4,447	196.2	4.41	3,863	194.4	5.03
Loans:						
Loans held for sale	220	8.3	3.77	210	9.4	4.50
Net loans and leases ²	19,105	1,204.8	6.31	17,904	1,254.8	7.01
Total loans and leases	19,325	1,213.1	6.28	18,114	1,264.2	6.98
Total interest-earning assets	25,115	1,422.3	5.66	23,176	1,477.2	6.37
Cash and due from banks	953			939		
Allowance for loan losses	(282)			(267)		
Goodwill	711			744		
Core deposit and other intangibles	77			98		
Other assets	1,630			1,606		
Total assets	\$ 28,204			\$ 26,296		
LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW	\$ 2,984	19.1	0.64	\$ 2,555	26.5	1.04
Money market super NOW	8,890	92.5	1.04	8,021	138.1	1.72
Time under \$100,000	1,644	36.9	2.25	1,911	62.1	3.25
Time \$100,000 and over	1,290	33.3	2.58	1,487	50.5	3.40
Foreign	186	1.7	0.89	106	1.5	1.42
Total interest-bearing deposits	14,994	183.5	1.22	14,080	278.7	1.98
Borrowed funds:						
Securities sold, not yet purchased	538	20.4	3.80	394	16.4	4.17
Federal funds purchased and security repurchase agreements	2,605	25.5	0.98	2,528	39.1	1.55
Commercial paper	215	3.0	1.41	359	7.5	2.09
FHLB advances and other borrowings:						
One year or less	145	1.9	1.32	533	10.3	1.93
Over one year	237	12.3	5.19	240	12.5	5.18
Long-term debt	1,277	57.3	4.48	874	56.3	6.45
Total borrowed funds	5,017	120.4	2.40	4,928	142.1	2.88
Total interest-bearing liabilities	20,011	303.9	1.52	19,008	420.8	2.21
Noninterest-bearing deposits	5,259			4,522		
Other liabilities	444			404		
Total liabilities	25,714			23,934		
Minority interest	22			21		
Total shareholders' equity	2,468			2,341		
Total liabilities and shareholders' equity	\$ 28,204			\$ 26,296		
Spread on average interest-bearing funds			4.14%			4.16%
Taxable-equivalent net interest income and net yield on interest-earning assets		1,118.4	4.45%		1,056.4	4.56%

¹ Taxable-equivalent rates used where applicable.

² Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.

2001			2000			1999		
Average balance	Amount of interest¹	Average rate	Average balance	Amount of interest¹	Average rate	Average balance	Amount of interest¹	Average rate
\$ 924	34.9	3.78%	\$ 1,061	67.4	6.35%	\$ 1,185	67.2	5.67%
56	3.4	5.98	3,254	222.1	6.83	3,277	204.6	6.24
3,269	207.2	6.34	685	44.8	6.53	741	42.4	5.72
647	30.9	4.78	574	36.3	6.32	538	30.1	5.59
3,972	241.5	6.08	4,513	303.2	6.72	4,556	277.1	6.08
220	13.1	5.94	192	14.5	7.52	178	12.2	6.85
15,795	1,322.6	8.37	13,457	1,259.2	9.36	11,641	1,019.0	8.75
16,015	1,335.7	8.34	13,649	1,273.7	9.33	11,819	1,031.2	8.72
20,911	1,612.1	7.71	19,223	1,644.3	8.55	17,560	1,375.5	7.83
821			826			856		
(229)			(203)			(211)		
703			572			574		
101			76			81		
1,513			1,228			1,052		
\$ 23,820			\$ 21,722			\$ 19,912		
\$ 2,060	32.3	1.57	\$ 1,783	40.0	2.24	\$ 1,812	44.1	2.43
7,039	219.3	3.12	6,210	289.4	4.66	5,521	203.6	3.69
1,984	98.2	4.95	1,719	87.7	5.10	2,085	98.5	4.72
1,658	86.5	5.22	1,408	80.4	5.71	1,257	61.1	4.86
106	2.9	2.79	138	6.3	4.56	165	7.2	4.36
12,847	439.2	3.42	11,258	503.8	4.48	10,840	414.5	3.82
340	17.0	5.01	311	19.7	6.32	271	15.6	5.76
2,668	95.9	3.59	2,747	159.7	5.81	2,369	108.5	4.58
336	14.5	4.30	316	20.7	6.55	194	10.8	5.57
404	21.7	5.37	1,161	76.2	6.56	545	28.5	5.23
203	11.1	5.44	140	8.5	6.06	76	4.8	6.32
569	42.7	7.51	429	34.2	7.98	453	35.1	7.75
4,520	202.9	4.49	5,104	319.0	6.25	3,908	203.3	5.20
17,367	642.1	3.70	16,362	822.8	5.03	14,748	617.8	4.19
3,907			3,316			3,249		
385			329			316		
21,659			20,007			18,313		
30			40			37		
2,131			1,675			1,562		
\$ 23,820			\$ 21,722			\$ 19,912		
		4.01%			3.52%			3.64%
	970.0	4.64%		821.5	4.27%		757.7	4.31%

One of the gauges that we use to measure success in managing our interest-earning assets and interest-bearing liabilities is the net interest margin. The net interest margin was 4.45% in 2003 compared with 4.56% in 2002 and 4.64% in 2001. The lower margin for 2003 was primarily the result of the continued

declining interest rate environment that we also experienced in 2002. The loan portfolio experienced the largest rate decline, primarily as a result of the maturity and pre-payment of higher rate fixed-interest loans, which were replaced by new lower-yielding loans. For 2002, the margin was affected by deposit

SCHEDULE 2

ANALYSIS OF INTEREST CHANGES DUE TO VOLUME AND RATE

(Amounts in millions)	2003 over 2002			2002 over 2001		
	Changes due to		Total changes	Changes due to		Total changes
	Volume	Rate ¹		Volume	Rate ¹	
INTEREST-EARNING ASSETS:						
Money market investments	\$ 1.4	(7.0)	(5.6)	4.3	(20.6)	(16.3)
Securities:						
Held to maturity	(2.3)	-	(2.3)	(0.7)	(0.4)	(1.1)
Available for sale	24.2	(22.7)	1.5	(3.2)	(34.0)	(37.2)
Trading account	3.5	(0.9)	2.6	(1.3)	(7.5)	(8.8)
Total securities	25.4	(23.6)	1.8	(5.2)	(41.9)	(47.1)
Loans:						
Loans held for sale	0.4	(1.5)	(1.1)	(0.5)	(3.2)	(3.7)
Net loans and leases ²	75.1	(125.1)	(50.0)	147.6	(215.4)	(67.8)
Total loans and leases	75.5	(126.6)	(51.1)	147.1	(218.6)	(71.5)
Total interest-earning assets	\$ 102.3	(157.2)	(54.9)	146.2	(281.1)	(134.9)
INTEREST-BEARING LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW	\$ 2.8	(10.2)	(7.4)	5.1	(10.9)	(5.8)
Money market super NOW	9.1	(54.7)	(45.6)	17.0	(98.2)	(81.2)
Time under \$100,000	(6.1)	(19.1)	(25.2)	(2.4)	(33.7)	(36.1)
Time \$100,000 and over	(5.1)	(12.1)	(17.2)	(5.9)	(30.1)	(36.0)
Foreign	0.7	(0.5)	0.2	-	(1.4)	(1.4)
Total interest-bearing deposits	1.4	(96.8)	(95.2)	13.8	(174.3)	(160.5)
Borrowed funds:						
Securities sold, not yet purchased	5.5	(1.5)	4.0	2.3	(2.9)	(0.6)
Federal funds purchased and security repurchase agreements	0.7	(14.3)	(13.6)	(2.2)	(54.6)	(56.8)
Commercial paper	(2.1)	(2.4)	(4.5)	0.4	(7.4)	(7.0)
FHLB advances and other borrowings:						
One year or less	(5.1)	(3.3)	(8.4)	2.5	(13.9)	(11.4)
Over one year	(0.2)	-	(0.2)	1.9	(0.5)	1.4
Long-term debt	18.2	(17.2)	1.0	19.6	(6.0)	13.6
Total borrowed funds	17.0	(38.7)	(21.7)	24.5	(85.3)	(60.8)
Total interest-bearing liabilities	\$ 18.4	(135.3)	(116.9)	38.3	(259.6)	(221.3)
Change in taxable-equivalent net interest income	\$ 83.9	(21.9)	62.0	107.9	(21.5)	86.4

¹Taxable-equivalent income used where applicable.

²Net of unearned income and fees. Loans include nonaccrual and restructured loans.

In the analysis of interest changes due to volume and rate, changes due to the volume/rate variance are allocated to volume with the following exceptions: when volume and rate both increase, the variance is allocated proportionately to both volume and rate; when the rate increases and volume decreases, the variance is allocated to rate.

growth exceeding loan growth, which resulted in our investing funds in lower-yielding money market investments, particularly in the second half of the year. We believe that as a result of the Company's previously discussed "asset sensitive" ALM position, the net interest margin will continue to experience downward pressures in 2004.

Schedule 1 summarizes the average balances, the amount of interest earned or incurred, and the applicable yields for interest-earning assets and the costs of interest-bearing liabilities that generate taxable-equivalent net interest income.

Schedule 2 analyzes the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years indicated. For purposes of calculating the yields in these schedules, the average loan balances also include the principal amounts of nonaccrual and restructured loans. However, interest received on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. In addition, interest on restructured loans is generally accrued at reduced rates.

The incremental tax rate used for calculating the taxable-equivalent adjustments was 35% for all years presented.

PROVISION FOR LOAN LOSSES

The provision for loan losses is the amount of expense that, based on our judgment, is required to maintain the allowance for loan losses at an adequate level. In determining an adequate level for the allowance, we perform periodic evaluations of the Company's various portfolios, the levels of actual loan losses, and statistical trends and other economic factors. See "Credit Risk Management" on page 52 for a complete discussion of how we determine the appropriate level for the allowance.

The provision for loan losses for 2003 was \$69.9 million or .36% of average loans for the year. This compares to \$71.9 million or .40% for 2002, and \$73.2 million or .46% for 2001. The declining trend in the provision corresponds to the improvements that have taken place during 2003 and 2002 in the loan and lease portfolios and, in particular, the improving levels of nonperforming assets.

NONINTEREST INCOME

Noninterest income represents revenues that the Company earns for products and services that have no interest rate or yield associated with them. Noninterest income for 2003 comprised 30.5% of net taxable-equivalent revenues compared to 26.3% in 2002 and 29.8% in 2001. Schedule 3 presents a comparison of the major components of noninterest income for the past five years.

SCHEDULE 3 NONINTEREST INCOME

(Amounts in millions)	2003	Percent change	2002	Percent change	2001	Percent change	2000	Percent change	1999
Service charges and fees on deposit accounts	\$ 129.8	9.1%	\$ 119.0	17.8%	\$ 101.0	29.0%	\$ 78.3	2.0%	\$ 76.8
Loan sales and servicing income	85.1	21.4	70.1	(27.6)	96.8	87.2	51.7	27.7	40.5
Other service charges, commissions and fees	88.9	9.5	81.2	11.2	73.0	12.1	65.1	(1.5)	66.1
Trust and investment management income	21.1	14.1	18.5	1.1	18.3	0.5	18.2	15.2	15.8
Income from securities conduit	29.4	44.8	20.3	65.0	12.3	6,050.0	0.2	-	-
Dividends and other investment income	28.5	(19.7)	35.5	25.4	28.3	4.8	27.0	51.7	17.8
Market making, trading and nonhedge derivative income	29.4	(24.6)	39.0	14.4	34.1	237.6	10.1	(12.2)	11.5
Equity securities gains (losses), net	63.8	352.2	(25.3)	(168.0)	37.2	68.3	22.1	(49.9)	44.1
Fixed income securities gains (losses), net	-	(100.0)	0.4	110.5	(3.8)	(860.0)	0.5	105.1	(9.9)
Impairment loss on First Security Corporation common stock	-	-	-	-	-	(100.0)	(96.9)	-	-
Other	14.1	(22.1)	18.1	20.7	15.0	(8.0)	16.3	297.6	4.1
Total	\$ 490.1	30.1%	\$ 376.8	(8.6)%	\$ 412.2	114.0%	\$ 192.6	(27.8)%	\$ 266.8

Compared to 2002, noninterest income increased \$113.3 million or 30.1% in 2003. The largest component of this increase was in net equity securities gains, which was \$63.8 million compared with losses of \$25.3 million in 2002. As previously discussed, we made the decision to sell the Company's holdings of ICAP for \$106.8 million, resulting in a pretax gain of \$68.5 million. The Company also sold several equity investment securities resulting in net gains of \$25.9 million, of which approximately \$21.1 million resulted from the sale of our investment in Lending Tree, Inc. The ICAP and other gains were partially offset by \$30.6 million in write-downs of venture capital and other investments.

The growth in service charges and fees on deposit accounts that we experienced in both 2002 and 2001 continued in 2003, reflecting strong core deposit growth and the effects of the acquisitions that were consummated in 2001.

Loan sales and servicing income includes revenues from securitizations of loans as well as revenues that we earn through servicing loans that have been sold to third parties. For 2003, loan sales and servicing income increased 21.4% compared with 2002. However, 2002 included a write-down of approximately \$13.6 million on capitalized excess servicing related to an auto securitization nonhedge derivative transaction. The \$13.6 million fair value of a swap entered into in this transaction was recorded as an asset and nonhedge derivative income was increased by this amount. The effects of this transaction constituted substantially all of the 21.4% increase from 2002 to 2003, however, the transaction had no effect on net income. See Note 6 of the Notes to Consolidated Financial Statements for additional information on the Company's securitization programs.

Other services charges, commissions and fees, which is comprised of investment, brokerage and fiscal agent fees, Automated Teller Machine ("ATM") fees, insurance commissions, bankcard merchant fees and other miscellaneous fees, increased \$7.7 million or 9.5% from 2002, which was up 11.2% from 2001. The increases

in both years are largely the result of increased fees from ATM usage and higher insurance commissions as well as growth in revenues from the Company's municipal finance operations, reflecting the continued low interest rate environment.

Trust and investment management income for 2003 increased 14.1% compared to 2002, which was essentially the same as 2001. The increase in 2003 was primarily attributable to stock market increases, which resulted in higher asset values upon which trust fees are determined, coupled with increased sales activities.

Income from securities conduit represents fees that we receive from Lockhart Funding, LLC, a "qualified special-purpose entity" securities conduit ("Lockhart"), in return for liquidity, an interest rate agreement and administrative services that Zions provides to the entity in accordance with a servicing agreement. The increases in income for both 2003 and 2002 resulted from increased investment holdings in Lockhart's securities portfolio, which created higher servicing fees. See "Liquidity Management" on page 64 and Note 6 of the Notes to Consolidated Financial Statements for further information regarding securitizations and Lockhart.

Dividends and other investment income consist of revenue from the Company's bank-owned life insurance program, dividends on securities holdings and equity in earnings from investments in unconsolidated companies. Income from bank-owned life insurance programs was \$19.0 million in 2003, \$18.9 million in 2002 and \$16.6 million in 2001. The growth in revenues resulted mainly from increased investment holdings of the programs. Income from investments in unconsolidated subsidiaries includes dividends on Federal Home Loan Bank ("FHLB") stock and equity earnings in unconsolidated affiliates and was \$9.5 million in 2003, \$16.6 million in 2002 and \$11.7 million in 2001. The decrease in 2003 was caused primarily by reduced holdings in FHLB stock and other investments, coupled with a lower dividend rate being paid on the FHLB stock.

Market making, trading and nonhedge derivative income consists of the following:

(Amounts in millions)	2003	Percent change	2002	Percent change	2001
Market making and trading income	\$ 27.4	11.4 %	\$ 24.6	33.0 %	\$ 18.5
Nonhedge derivative income	2.0	(86.1)	14.4	(7.7)	15.6
Total	\$ 29.4		\$ 39.0		\$ 34.1

Zions added corporate bonds to its odd lot bond trading business in 2001, which resulted in an increase in trading income for 2002 and 2003. Trading income for 2001 also included \$3.3 million in appreciation of held to maturity securities transferred to trading in conjunction with the adoption of SFAS 133. These same securities were subsequently sold in the first quarter of 2002.

1. Nonhedge derivative income for 2002 includes the previously discussed \$13.6 million nonhedge derivative transaction. In January 2004 the Company announced its plans to purchase Van der Moolen UK Ltd., which is an odd lot bond trading firm in the United Kingdom. The acquisition is expected to increase Zions' daily electronic bond trading volume by approximately 20 percent. The transaction is subject to the approval by regulators in the United States and United Kingdom, and closing is anticipated in the first half of 2004.

As previously discussed, equity securities gains for 2003 included a \$68.5 million gain on the sale of ICAP, \$9 million in other equity securities gains and \$30.6 million of investment write-downs. Net equity securities losses for 2002 included \$28.7 million of write-downs of various venture capital investments and the Company's minority interest in an investment banking firm. Net equity securities gains in 2001 included gains of \$70.8 million from the sale of our investment in Concord EFS, Inc., which we describe in more detail below, and losses of \$39.6 million from write-downs of various venture capital investments.

During 2001, the Company recognized an aggregate gain of \$70.8 million in connection with the sale of its equity interest in Star Systems, Inc. to Concord EFS.

Consideration received in the amount of approximately \$83 million was in the form of restricted Concord securities that were hedged by the Company through a forward sale contract. Both the securities and the forward contract were subsequently contributed to an off-balance sheet trust. The contribution represented a sale of the transferred assets for financial reporting purposes. The forward sale contract was treated as a fair value derivative hedge contract of securities resulting in a \$4.3 million gain reported in other noninterest income. We have determined that this transaction will not require consolidation into the Company's financial statements under FASB Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities*.

NONINTEREST EXPENSE

Actions taken by management to control expenses included restructuring the e-commerce operations, closing unproductive branches, scaling back the indirect auto financing business, consolidating operations, and improving the procurement processes. As part of these cost reduction efforts, the Company incurred restructuring charges of \$1.9 million in 2003 and \$3.3 million in 2002 related to several cost-saving steps that included branch closures in Utah and Colorado and the restructuring of trust operations and administrative functions. In addition, the Company incurred impairment losses of \$2.7 million in 2003 and \$4.9 million in 2002 on certain software related to its e-commerce activities and in response to ZFNB's efforts to exit certain branches. See Note 16 of the Notes to Consolidated Financial Statements for additional information on these restructuring and impairment charges.

Noninterest expense for 2003 increased 4.1% to \$893.9 million, compared with \$858.9 million in 2002, which was up 2.7% over the \$836.1 million in 2001. Approximately 69% of the increase in noninterest expense for 2003 relates to debt extinguishment costs of \$24.2 million, which were incurred in the third quarter when the Company repurchased \$197.4 million of its debt. Schedule 4 summarizes the major components of noninterest expense and provides a comparison of the components over the past five years.

SCHEDULE 4

NONINTEREST EXPENSE

<i>(Amounts in millions)</i>	2003	Percent change	2002	Percent change	2001	Percent change	2000	Percent change	1999
Salaries and employee benefits	\$ 491.6	2.8%	\$ 478.0	10.4%	\$ 432.9	24.3%	\$ 348.3	0.5%	\$ 346.7
Occupancy, net	71.0	3.5	68.6	7.9	63.6	23.0	51.7	4.7	49.4
Furniture and equipment	65.5	3.3	63.4	4.3	60.8	15.4	52.7	16.1	45.4
Legal and professional services	26.0	2.4	25.4	(17.0)	30.6	55.3	19.7	21.6	16.2
Postage and supplies	25.8	(6.5)	27.6	(0.7)	27.8	26.9	21.9	(4.4)	22.9
Advertising	18.2	(11.7)	20.6	(7.6)	22.3	(12.2)	25.4	37.3	18.5
Debt extinguishment cost	24.2	-	-	-	-	-	-	-	-
Impairment losses on long-lived assets	2.7	(44.9)	4.9	-	-	-	-	-	-
Restructuring charges	1.9	(42.4)	3.3	-	-	-	-	-	-
Merger related expense	-	-	-	(100.0)	7.3	(84.0)	45.5	64.3	27.7
Amortization of core deposit and other intangibles	14.2	6.0	13.4	4.7	12.8	11.3	11.5	(1.7)	11.7
Amortization of goodwill	-	-	-	(100.0)	31.5	20.2	26.2	6.9	24.5
Other	152.8	(0.6)	153.7	4.9	146.5	23.7	118.4	(0.3)	118.8
Total	\$ 893.9	4.1%	\$ 858.9	2.7%	\$ 836.1	15.9%	\$ 721.3	5.8%	\$ 681.8

The Company's efficiency ratio was 55.65% for 2003 compared to 63.40% for 2002. The efficiency ratio for 2003, however, was favorably impacted by large equity gains reported in the third quarter. As a result, we believe that the 56.38% efficiency ratio that we achieved in the fourth quarter of 2003 may be more indicative of the current "run rate" for this ratio.

Salary costs for 2003 experienced a modest increase compared to 2002. Salary costs in 2002 increased significantly over 2001, partly as a result of enhanced incentive programs and the effects of the acquisitions that were completed in 2002 and 2001. The Company also added staff in 2002 in anticipation of planned conversions of all subsidiary banks to common operating platforms. Employee benefits increased in both 2003 and 2002, primarily as a result of higher employee health insurance costs and increased costs associated with the Company's retirement plans. Salaries and employee benefits are shown in greater detail in the following table.

<i>(Dollar amounts in millions)</i>	2003	Percent change	2002	Percent change	2001
Salaries and bonuses	\$ 409.7	1.6%	\$ 403.4	10.1%	\$ 366.3
Benefits:					
Employee health and insurance	28.7	8.3	26.5	22.7	21.6
Retirement	25.6	26.7	20.2	11.6	18.1
Payroll taxes and other	27.6	(1.1)	27.9	3.7	26.9
Total benefits	81.9	9.8	74.6	12.0	66.6
Total salaries and employee benefits	\$ 491.6	2.8%	\$ 478.0	10.4%	\$ 432.9
FTEs (at December 31)	7,896	(2.2)%	8,073	(0.6)%	8,124

As noted in the table under FTEs (full-time equivalent employees), the Company's ongoing efforts to consolidate operations, exit unprofitable businesses and reduce costs have resulted in a 2.8% reduction in staffing since year-end 2001.

IMPAIRMENT LOSS ON GOODWILL

As previously discussed, Vectra is in the process of restructuring to focus on serving small- and mid-sized businesses and their employees. In connection with the restructuring, in the third quarter we identified and offered eleven of Vectra's branches for sale. The assets and liabilities from these branches were measured at their fair values based upon bids, letters of intent, and negotiations with potential buyers. The comparison of the fair values to the carrying values of

these assets and liabilities resulted in an impairment loss on goodwill of \$7.1 million, which we recorded in 2003.

Also as a result of the Vectra restructuring, the Company, with the assistance of an independent valuation consulting firm, performed an impairment analysis on the operations that were being retained. The analysis was performed in accordance with the valuation process specified in SFAS 142. Based on the results of the analysis, the Company recognized an additional impairment loss on goodwill of \$68.5 million, which when added to the \$7.1 million discussed above, totals \$75.6 million and is separately disclosed in the Consolidated Statements of Income.

CONTINUED OPERATIONS

During 2002, we took a number of actions to revalue and restructure Zions' e-commerce activities in light of continued disappointing operating results and a difficult market environment. We determined that our plan to restructure and offer all or part of these e-commerce subsidiaries for sale met the held for sale and discontinued operations criteria of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

We sold the first e-commerce subsidiary, Phaos Technology Corp., in 2002 and recognized a \$5.3 million income tax benefit as a result of the sale. The remaining e-commerce subsidiary that we had identified to sell, Lexign, Inc., was sold in the third quarter of 2003, resulting in a pretax loss on the sale of \$2.4 million. The loss on discontinued operations decreased in 2003 to \$1.8 million from \$28.5 million in 2002 and \$8.4 million in 2001. The loss for 2002 included additional impairment related to our restructuring efforts. See Note 16 of the Notes to Consolidated Financial Statements for additional information regarding the discontinued operations and the related impairment losses that the Company has recognized.

FOREIGN OPERATIONS

Zions First National Bank ("ZFNB") operates a foreign branch in Grand Cayman, Grand Cayman Islands, B.W.I. The branch only accepts deposits from qualified

customers. While deposits in this branch are not subject to Federal Reserve Board reserve requirements or Federal Deposit Insurance Corporation insurance requirements, there are no federal or state income tax benefits to the Company or any customers as a result of these operations.

Foreign deposits at December 31, 2003, 2002 and 2001 totaled \$235 million, \$191 million and \$133 million, respectively, and averaged \$186 million for 2003, and \$106 million for both 2002 and 2001. See Schedule 8 for foreign loans outstanding.

INCOME TAXES

The Company's income tax expense on continuing operations for 2003 was \$213.8 million compared to \$167.7 million in 2002 and \$161.9 million in 2001. The Company's effective income tax rate was 39.1% in 2003, 34.9% in 2002 and 35.8% in 2001. The difference between the Company's effective tax rate for 2003 and the statutory federal income tax rate of 35% is primarily the result of higher taxable income resulting from nondeductible expenses, including goodwill impairment. See Note 17 of the Notes to Consolidated Financial Statements for more information on income taxes.

BUSINESS SEGMENT RESULTS

The Company manages its operations and prepares management reports with a primary focus on geographical area. All segments that are presented in the following discussion, except for the segment identified as "Other", are based on geographical banking operations. The operating segment identified as "Other" includes Zions Bancorporation ("the Parent"), certain e-commerce subsidiaries, other smaller nonbank operating units and eliminations of intercompany transactions.

Operating segment information is presented in Schedule 5 and Note 24 of the Notes to Consolidated Financial Statements. The accounting policies of the individual segments are the same as those of the Company. The Company allocates centrally provided services to the business segments based upon esti-

SCHEDULE 5

OPERATING SEGMENTS INFORMATION

(Amounts in millions)	Zions First National Bank and Subsidiaries			California Bank & Trust			Nevada State Bank		
	2003	2002	% Change	2003	2002	% Change	2003	2002	% Change
CONDENSED INCOME STATEMENT									
Net interest income	\$ 335.6	296.2	13%	\$ 385.4	377.9	2%	\$ 125.8	124.9	1%
Noninterest income	233.8	199.7	17	75.9	78.4	(3)	31.7	28.1	13
Total revenue	569.4	495.9	15	461.3	456.3	1	157.5	153.0	3
Provision for loan losses	46.3	41.3	12	12.1	17.0	(29)	5.6	4.7	19
Noninterest expense	318.3	310.1	3	227.0	238.2	(5)	88.9	81.9	6
Impairment loss on goodwill	-	-	-	-	-	-	-	-	-
Income from continuing operations before income taxes and minority interest	204.8	144.5	42	222.2	201.1	10	65.0	66.4	(2)
Income tax expense (benefit)	65.0	42.4	53	89.1	81.0	10	22.1	22.6	(2)
Minority interest	(0.5)	(1.2)	(58)	-	-	-	-	-	-
Income from continuing operations	140.3	103.3	36	133.1	120.1	11	42.9	43.8	(2)
Loss on discontinued operations	-	-	-	-	-	-	-	-	-
Income before cumulative effect adjustment	140.3	103.3	36	133.1	120.1	11	42.9	43.8	(2)
Cumulative effect adjustment	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ 140.3	103.3	36%	\$ 133.1	120.1	11%	\$ 42.9	43.8	(2)%
YEAR END BALANCE SHEET DATA									
Total assets	\$10,598	10,530	1%	\$ 9,216	8,805	5%	\$ 2,958	2,683	10%
Net loans and leases	6,868	6,714	3	6,349	6,129	4	2,162	1,850	17
Allowance for loan losses	98	96	2	81	88	(8)	28	25	12
Goodwill, core deposit and other intangibles	30	30	-	426	434	(2)	23	23	-
Noninterest-bearing demand deposits	1,272	1,178	8	2,401	2,035	18	807	653	24
Total deposits	7,104	7,116	-	7,638	6,970	10	2,555	2,349	9
Common equity	725	682	6	956	978	(2)	194	173	12
PERFORMANCE RATIOS									
Return on average assets	1.24%	0.99%		1.51%	1.40%		1.52%	1.70%	
Return on average common equity	19.99%	15.56%		13.52%	11.69%		23.98%	26.68%	
Efficiency ratio	54.62%	61.00%		49.12%	52.12%		54.83%	53.13%	
OTHER INFORMATION									
Full-time equivalent employees	2,379	2,333		1,738	1,846		752	750	
Domestic offices:									
Traditional branches	100	103		91	91		31	30	
Banking centers in grocery stores	48	46		-	-		35	33	
Foreign office	1	1		-	-		-	-	
Total offices	149	150		91	91		86	63	
ATMs	206	208		108	108		86	87	

mated usage of those services. We initiated a program in 2002 to allocate income between certain of the Company's banking subsidiaries to better match the revenues generated from hedging strategies to the operating units that gave rise to the exposures being hedged. The allocated income (expense) from this program, which is included in net interest income of the banking subsidiaries is as follows:

(Amounts in millions)	2003	2002
Zions First National Bank	\$ (26.0)	(47.0)
Nevada State Bank	2.6	9.9
National Bank of Arizona	6.7	10.1
Vectra Bank Colorado	12.3	21.9
The Commerce Bank of Washington	4.4	5.1
	\$ -	-

National Bank of Arizona			Vectra Bank Colorado			The Commerce Bank of Washington			Other			Consolidated Company		
2003	2002	% Change	2003	2002	% Change	2003	2002	% Change	2003	2002	% Change	2003	2002	% Change
128.5	116.0	11%	\$ 100.6	110.7	(9)%	\$ 24.7	24.6	-	\$ (5.1)	(15.2)	66%	\$ 1,095.5	1,035.1	6%
21.4	19.1	12	38.1	34.2	11	2.0	1.7	18%	87.2	15.6	459	490.1	376.8	30
149.9	135.1	11	138.7	144.9	(4)	26.7	26.3	2	82.1	0.4	20,425	1,585.6	1,411.9	12
0.2	2.0	(90)	5.9	5.0	18	0.8	1.1	(27)	(1.0)	0.8	(225)	89.9	71.9	(3)
79.8	69.0	16	100.5	100.1	-	11.2	10.3	9	70.2	49.3	42	893.9	858.9	4
-	-	-	75.6	-	-	-	-	-	-	-	-	75.6	-	-
69.9	64.1	9	(43.3)	39.8	(209)	14.7	14.9	(1)	12.9	(49.7)	126	546.2	481.1	14
27.7	25.5	9	16.2	14.2	14	5.1	5.3	(4)	(11.4)	(23.3)	51	213.8	167.7	27
-	-	-	-	-	-	-	-	-	(8.7)	(2.5)	168	(7.2)	(3.7)	95
42.2	38.6	9	(59.5)	25.6	(332)	9.6	9.6	-	31.0	(23.9)	230	339.6	317.1	7
-	-	-	-	-	-	-	-	-	(1.8)	(28.4)	(94)	(1.8)	(28.4)	(94)
1	38.6	9	(59.5)	25.6	(332)	9.8	9.6	-	29.2	(52.3)	156	337.8	288.7	17
-	-	-	-	-	-	-	-	-	-	(32.4)	(100)	-	(32.4)	(100)
\$ 42.2	38.6	9%	\$ (59.8)	25.6	(332)%	\$ 9.6	9.6	-	\$ 29.2	(84.7)	134%	\$ 337.8	256.3	32%
\$ 3,067	2,925	5%	\$ 2,532	2,768	(9)%	\$ 705	648	9%	\$ (516)	(1,793)	71%	\$ 28,558	26,566	7%
2,381	1,979	20	1,691	1,918	(12)	329	321	2	120	129	(7)	19,920	19,040	5
30	32	(6)	28	33	(15)	4	5	(20)	-	1	(100)	289	280	(4)
72	74	(3)	174	252	(31)	-	-	-	(2)	-	-	723	813	(11)
773	721	7	543	477	14	101	79	28	(14)	(26)	46	5,683	5,117	15
2,539	2,487	2	1,764	1,911	(8)	453	459	(1)	(1,158)	(1,160)	-	20,897	20,132	4
241	233	3	375	441	(15)	52	45	16	(3)	(178)	98	2,540	2,374	7
1.46%	1.44%		(2.22)%	0.97%		1.47%	1.72%					1.20%	0.97%	
18.23%	17.96%		(13.93)%	5.81%		19.70%	23.28%					13.69%	10.95%	
52.93%	50.84%		72.08%	68.60%		42.00%	38.83%					55.65%	63.40%	
	833		825	912		57	54		1,314	1,345		7,896	8,073	
94	53		48	54		1	1		-	-		325	332	
-	-		4	4		-	-		-	-		87	83	
-	-		-	-		-	-		-	-		1	1	
54	53		52	58		1	1		-	-		413	416	
54	52		97	133		-	-		-	-		553	588	

Effective January 1, 2003, we changed the method by which this hedge program income (expense) is allocated. As a result, the amounts allocated to each segment for the years shown above are not directly comparable. Further, the allocated amounts will continue to decrease as the underlying hedges mature and new hedges are recorded directly at the banking subsidiaries.

The Company invests in start-up and early-stage ventures through a variety of entities. Through certain subsidiary banks, the Company has principally made non-

marketable investments in a number of companies using four Small Business Investment Companies ("SBIC"). The Company recognized losses on these venture capital SBIC investments, net of income taxes and minority interest, of \$12.3 million in 2003, compared to losses of \$11.4 million in 2002, and \$20.3 million in 2001. These losses are included in noninterest income reported by the respective subsidiary banks.

The Company has also made investments in a number of ventures, either through acquisition or through inter-

nal funding initiatives. During 2002, the Company decided to discontinue the operations of two of its acquired companies, Lexign, Inc. and Phaos Technology Corp. The Company completed the sale of Lexign in 2003 and the sale of Phaos in 2002. Prior to their sale, both companies were subsidiaries of Zions Bancorporation and results of the discontinued operations are included in the "Other" segment.

Digital Signature Trust ("DST") was the largest internally funded venture that the Company had engaged in and was a majority owned subsidiary of ZFNB. During 2002, the Company completed the sale of DST in exchange for an approximate 33% ownership interest in Identrus, LLC, another venture company. The Company has several smaller early-stage venture activities that generally are subsidiaries of either ZFNB or Zions Bancorporation.

ZIONS FIRST NATIONAL BANK AND SUBSIDIARIES

ZFNB consists primarily of the Company's operations in Utah and Idaho. Net income for ZFNB increased 35.8% to \$140.3 million for 2003 compared with \$103.3 million for 2002 and \$135.4 million for 2001. Results for 2003 include allocated expense of \$26.0 million, compared to \$47.0 million for 2002, that is recorded as a reduction of net interest income under the previously discussed allocation program initiated by the Company in 2002. This allocation does not affect the consolidated results of operations of the Company as all such amounts are eliminated in consolidation.

While the economy has been depressed in ZFNB's primary markets during 2003, ZFNB experienced growth during a difficult year. During late 2003, ZFNB began to see an increase in loan demand and was able to expand its residential and small commercial construction lending in 2003. ZFNB is now experiencing encouraging results from this expansion. ZFNB also continues to see favorable loan demand in Idaho, especially in southeastern Idaho. However, net consumer loans have generally been declining mainly due to its decision to substantially scale back its indirect

auto loan business. On-balance-sheet loan growth for ZFNB was 2.6% for 2003 with loans increasing to \$6.9 billion.

In 2003, ZFNB experienced positive trends in the quality of its loan portfolio. Nonperforming assets for ZFNB decreased to \$33.3 million at December 31, 2003 from \$62.2 million at December 31, 2002, including a decrease in other real estate owned to \$8.4 million from \$20.6 million at the end of 2002. Accruing loans past due 90 days or more decreased to \$15.8 million at year-end 2003 compared with \$19.8 million at year-end 2002. Net loan and lease charge-offs for 2003 were \$40.5 million compared to \$38.5 million for 2002. For 2003, ZFNB's loan loss provision was \$46.3 million compared with \$41.3 million for 2002 and \$41.9 million for 2001.

Deposits at year-end 2003 of \$7.1 billion were essentially unchanged from 2002. At December 31, 2003 and 2002, deposits included \$960 million of certificates of deposit from California Bank & Trust.

Noninterest income increased 17.1% to \$233.8 million compared to \$199.7 million for 2002 and \$234.8 million for 2001. Noninterest income for 2001 included \$44.6 million in gains realized from ZFNB's appreciated investment in Star Systems, which was acquired by Concord EFS.

Noninterest expense for 2003 increased 2.6% compared to 2002, reflecting the Company's cost control efforts. As previously discussed, during 2002 ZFNB completed the sale of an e-commerce subsidiary, Digital Signature Trust, in exchange for an approximate 33% ownership interest in Identrus, LLC. After-tax operating losses from ZFNB's investment in these companies were \$6.0 million for 2003, \$6.1 million for 2002 and \$12.7 million for 2001.

CALIFORNIA BANK & TRUST

California Bank & Trust ("CB&T") consists of the Company's California operations. CB&T also operates loan production offices in Phoenix, Arizona and Denver, Colorado. CB&T's results for 2003 were significantly affected by slow market conditions in

California and the general interest rate environment. CB&T experienced limited opportunities for any significant loan growth, especially in the area of commercial real estate lending, which has historically been a source of strong loan demand in California. CB&T took steps in 2003 to offset some of the negative effects of the slower economy. In particular, CB&T continued its efforts to place significant emphasis on credit management, effective interest rate management, and "right sizing" its expense structure. In addition, during 2003 CB&T completed the restructuring of its Retail Banking Division and expects improved performance from it in the future.

Net income for CB&T increased 10.8% to \$133.1 million in 2003 compared with \$120.1 million for 2002, and \$96.2 million for 2001. In 2003, net loans and leases increased 3.6% to \$6.3 billion and deposits increased 9.6% to \$7.6 billion from year-end 2002. The increase in loans primarily resulted from purchases of 5/1 adjustable rate mortgages. Net interest income for 2003 increased 2.0% from 2002 to \$385.4 million while noninterest income decreased 3.2% to \$75.9 million. The results of operations for CB&T for 2002 were significantly influenced by an acquisition accounted for as a purchase during 2001. See Note 3 of the Notes to Consolidated Financial Statements for further information about the acquisition.

Nonperforming assets for CB&T increased to \$34.3 million at year-end 2003 compared to \$19.3 million at year-end 2002. The level of nonperforming assets to total loans and other real estate at December 31, 2003, was 0.54% compared with 0.31% at December 31, 2002. Net loan and lease charge-offs were \$14.4 million for 2003 compared with \$14.3 million for 2002. For 2003, CB&T's loan loss provision was \$12.1 million compared to \$17.0 million for 2002. The reduced provision reflects the improving California economy and a reduction in the bank's classified loans from the prior year.

Despite the depressed interest rate environment, CB&T maintained its net interest margin at an acceptable and reasonably constant level. This was accomplished through a combination of tools including

interest rate floors for some types of loans, interest rate swaps and purchases of 5/1 adjustable-rate mortgages. CB&T expects these purchases will continue until the demand for loan products in its markets begins to improve.

CB&T has been focusing on identifying areas for operating efficiencies and cost savings. Its efficiency ratio has consistently improved for the past three years to its current level of 49.1%. CB&T management expects to maintain costs at these low levels such that anticipated improvements in revenues will result in continued improvements in the efficiency ratio in the future. Noninterest expense decreased 4.7% for 2003 compared to 2002.

NEVADA STATE BANK

Net income for Nevada State Bank ("NSB") was \$42.9 million, compared with \$43.8 million for 2002, and \$31.0 million for 2001. Earnings for 2003 include \$2.6 million of allocated net interest income compared with \$9.9 million for 2002. Earnings for 2003 included a provision for loan losses of \$5.6 million compared with \$4.7 million for 2002 and \$10.1 million for 2001.

In 2003, NSB's revenues increased 2.9%. NSB experienced strong balance sheet growth, with average earning assets increasing 9.7% during the year. The net interest margin, however, declined to 4.90% as compared to 5.35% in 2002. The change in the mix and volume of earning assets and interest bearing liabilities and their related yields and interest rates had a major impact on earnings. The decreased margin in 2003 was the result of intense competition and declining interest rates during the year. During the year, NSB was able to reduce interest rates on several deposit products while remaining competitive in its local market. In addition, the low interest rate environment created strong demand for mortgage loans and NSB's Home Residential Loan (HRL) program created strong consumer loan growth during the year. Net loans and leases at year-end 2003 increased 16.9% from 2002 while total deposits increased 8.8%.

Noninterest income increased 12.8%, reflecting strong growth in deposit service charges of 15.2%. In addition, NSB continued to focus on keeping operating costs in check. Expense control targets were implemented to keep expenses at prior year levels and were achieved in several categories. However, salary and employee benefit costs increased 4.9% in 2003, primarily as a result of increased employee incentive programs and medical costs.

Net loan and lease charge-offs totaled \$2.2 million in 2003 or 0.11% of average loans and leases. This was a decrease from \$4.9 million or 0.29% in 2002. Nonperforming assets, consisting of nonaccrual loans, other real estate owned and restructured loans, totaled \$1.4 million or 0.07% of net loans and leases and other real estate owned at year-end 2003, as compared to \$1.2 million or 0.06% at the end of 2002.

NATIONAL BANK OF ARIZONA

National Bank of Arizona ("NBA") has experienced positive results due to the strengthening economy in Arizona. Net income for NBA was \$42.2 million for 2003, up from \$38.6 million for 2002 and \$32.1 million for 2001. Earnings for 2003 include \$6.7 million of allocated net interest income compared with \$10.1 million in 2002. NBA's efficiency ratio remained low (52.93% in 2003) in comparison with industry standards. Expense control will remain a primary focus during 2004 and remain comparable with 2003.

Although NBA experienced compression in the interest rate yields on its loan portfolio during 2003, net margins continuously improved throughout the year. This was a direct result of tighter management of the depository mix and cost, along with a reduced cost of funds. Continuing compression in loan yields, albeit significantly less than experienced in 2003, are expected in 2004. Despite the decline in yields, net interest margins are expected to be stable and comparable with the results experienced at the end of 2003. This is a direct result of a decline in depository costs, coupled with an increasing loan demand.

The loan portfolio has expanded in almost every area of NBA. Loan demand for 2003 was strong and is expected to continue at this or even a quicker pace in 2004. Net loans and leases increased 20.3% from year-end 2002 to \$2.4 billion at year-end 2003. The provision for loan and lease losses was \$0.2 million in 2003 compared with \$2.0 million for 2002 and \$1.5 million for 2001. Underwriting standards continue to drive favorable results with regard to the low levels of losses that were sustained in the portfolio in 2003. Nonperforming assets were \$10.0 million at year-end 2003 compared with \$11.0 million at December 31, 2002. Net loan and lease charge-offs for 2003 were \$1.2 million compared with \$0.5 million for 2002.

Outstanding deposits remained relatively static during 2003 with an increase of 2.1% to \$2.5 billion. Modest growth is expected in deposits in 2004.

VECTRA BANK COLORADO

Vectra Bank Colorado ("Vectra") has operations in Colorado and in Farmington, New Mexico. Compared with 2002, the 2003 economic environment in Colorado worsened as evidenced by increased bankruptcies and foreclosures and decreases in construction activity. This resulted in weak demand for credit products, particularly commercial- and construction-based lending. Vectra also experienced a sizeable amount of loan run-off in the latter half of 2003 as a result of the poor economic environment, coupled with tighter credit policies, which were implemented during the year.

As discussed earlier, during 2003 the Company made the decision to restructure Vectra to enable it to focus on providing services to small- and mid-sized businesses and their employees. Vectra also enhanced its management to implement and carry out the restructuring. At the same time, Vectra made a commitment to improve operating efficiencies through expense management and centralization of functions and operations. We are optimistic that these initiatives will provide a foundation for improved performance for Vectra going forward.

The net loss for Vectra was \$59.5 million for 2003 compared with net income of \$25.6 million in 2002 and \$3.4 million in 2001. Included in 2003 results was the previously discussed \$75.6 million goodwill write-off associated with Vectra's restructuring. Earnings for 2003 include \$12.3 million of allocated net interest income compared with \$21.9 million in 2002.

Net loans and leases decreased 11.8% from year-end 2002 to \$1.7 billion at year-end 2003 and deposits decreased 7.7% to \$1.8 billion. The decrease in loans was caused by commercial and construction loan run-off and higher consumer refinance activity in light of the low interest rate environment. The provision for loan losses was \$5.9 million in 2003 compared to \$5.0 million for 2002 and \$9.4 million for 2001. Nonperforming assets for Vectra increased slightly to \$16.8 million at year-end 2003 compared with \$16.0 million at December 31, 2002. Net loan and lease charge-offs for 2003 were \$9.4 million compared with \$4.7 million for 2002.

THE COMMERCE BANK OF WASHINGTON

The Commerce Bank of Washington ("Commerce") was significantly affected in 2003 by the soft economy in the Pacific Northwest. The Puget Sound Region alone has lost approximately 81,000 jobs over the past three years, which reflects the downsizing and cost cutbacks of local businesses. While Commerce has been taking steps to address improving performance in the existing economic environment, any significant improvements in Commerce's performance for 2004 will be dependent upon improvements in the local economy.

Net income for Commerce was \$9.6 million for 2003 and 2002 compared to \$8.1 million in 2001. Earnings for 2003 include \$4.4 million of allocated net interest income compared with \$5.1 million in 2002. Net loans and leases increased 2.5% from year-end 2002 to \$329 million at year-end 2003 and deposits decreased 1.3% to \$453 million. The provision for loan and lease losses was \$0.8 million in 2003 compared with \$1.1 million for 2002 and \$1.3 million for 2001. Nonperforming assets for Commerce decreased to

\$2.2 million at year-end 2003 compared with \$4.3 million at December 31, 2002. Net loan and lease charge-offs were \$1.2 million for 2003 and \$0.8 million for 2002.

OTHER

"Other" includes the Parent and other various nonbanking subsidiaries including certain e-commerce and other investment activities. Net income in the Other segment was \$29.2 million compared to a net loss of \$84.7 million for 2002 and a net loss of \$23.2 million for 2001. Earnings for 2003 include the pretax gains of \$68.5 million on the sale of ICAP, the \$21.1 million gain on the sale of Lending Tree, and the \$24.2 million of debt extinguishment costs that were all previously discussed. The large loss for 2002 relates primarily to losses on discontinued e-commerce subsidiaries previously discussed and a \$32.4 million charge for the cumulative effect adjustment related to goodwill impairment in the e-commerce subsidiaries. See Note 10 of the Notes to Consolidated Financial Statements for more information on the goodwill impairment.

In 2002, the Company took a number of actions to revalue and restructure its e-commerce activities in light of continued disappointing results and a difficult market environment. In May 2002 the Company completed the sale of its DST subsidiary to Identrus, LLC for a 33% ownership position in Identrus. No gain or loss was recognized on the sale. DST was a leader in providing public key infrastructure ("PKI") digital signatures for on-line identity authentication. Market adoption of this technology, however, had been slow. Identrus, a company owned by a global consortium of banks, also provides online identity authentication services and infrastructure. By selling DST to Identrus, the Company was able to cut its operating losses from this business activity by almost two-thirds, while retaining an ability to benefit financially if the market develops for identity authentication services. Identrus continues to post operating losses, although these losses have been significantly reduced through cost reductions achieved, in part, through the consolidation with DST. Identrus also recently, under new management, has

shown evidence of greater market place success for its products. Late in 2003 and early in 2004, the Company modestly increased its investment and ownership percentage in Identrus through its participation in a successful round of equity financing.

In support of its PKI activities, the Company acquired several software companies in 2001 and 2000 with the objective of hastening the adoption of digital signatures by developing applications using them. These acquisitions became the Company's subsidiaries, Lexign, Inc. and Phaos Technology Corp. Market declines in the value of similar software companies led the Company to recognize valuation impairments related to these subsidiaries upon the adoption of SFAS 142 in 2002. More importantly, after the sale of DST, the Company no longer had a strategic rationale to continue the development of digital signature applications software. As a result, both Lexign and Phaos were down-sized, offered for sale and reclassified as discontinued operations in the third quarter of 2002. Additional write-downs to the impairment charges were taken at this time. In December 2002, the Company completed the sale of Phaos for approximately its revised value. The sale of Lexign was consummated in 2003 resulting in a pretax loss of \$2.4 million.

The Company and Lexign, prior to its sale, developed an operating risk management system that it is deploying throughout the Company. This system is called RiskResolve™ and it is currently being offered under license to third parties through a newly formed subsidiary, Providus Software Solutions, Inc. ("Providus"). Providus' RiskResolve™ has been recognized as a market leader in "Control Self Assessment" risk management software. However, Providus continues to produce financial losses at this time.

In addition to the Company's e-commerce activities, the Company had developed a secure online storage and retrieval product called "Entervault." However, as a result of poor market response, management ceased further development of Entervault in 2002, resulting in charges to income in the fourth quarter of that year.

In 2000, the Company acquired a 24.5% interest in an investment banking company serving primarily smaller and middle market companies in the West. The strategic intent was to allow the Company and the investment banking company to provide a more complete array of financial products and services to customers through cross-referrals. While a number of mutually-beneficial referrals have occurred and continue to occur, the overall market for investment banking products and services declined markedly in 2002. As a result, the investment banking company experienced a substantial decline in revenue and incurred significant operating losses. In the third quarter of 2002, the Company took an impairment charge on its investment in the investment banking company to reflect the decline in value attributable to its poor operating results. In 2003, this investment banking company returned to profitability.

The Company continues to selectively invest in new, innovative products and ventures. Most notably the Company has funded the development of NetDeposit, a family of innovative check imaging and clearing products and services for which the Company has sought extensive intellectual property protection. We believe that the enactment in October 2003 of federal legislation known as the Check 21 Act, which becomes effective in October 2004, has significantly improved the likelihood of marketplace adoption of NetDeposit's products and services. The Company is actively marketing NetDeposit's products and has received indications of significant interest. However, it is not yet known if the products will be commercially successful.

BALANCE SHEET ANALYSIS

INTEREST-EARNING ASSETS

Interest-earning assets are those with interest rates or yields associated with them. Nonearning assets are those that do not directly generate any revenues for the Company. One of our goals is to maintain a high level of interest-earning assets, while keeping non-earning assets at a minimum.

Interest-earning assets consists of money market investments, securities and loans. Schedule 1, which we referred to in our discussion of net interest income, includes the average balances of the Company's interest-earning assets, the amount of revenue generated by them, and their respective yields. As shown in the schedule, average interest-earning assets in 2003 increased 8.4% to \$25,115 million from \$23,176 million in 2002. Average interest-earning assets comprised 89.0% of total average assets in 2003 compared with 88.1% in 2002. Average interest-earning assets in 2003 were 91.6% of average tangible assets compared with 91.1% in 2002.

Average money market investments, which consists of interest bearing deposits, Federal Funds sold and security resell agreements, increased 11.9% in 2003 over 2002. All of this increase was the result of a larger average trading balance, which required more securities sold short to manage the interest rate risk. All securities sold short must be borrowed through security resell agreements.

INVESTMENT SECURITIES PORTFOLIO

We invest in securities both to generate revenues for the Company and to manage liquidity. Schedule 6 presents a profile of Zions' investment portfolios at December 31, 2003, 2002 and 2001. The amortized cost amounts represent the Company's original cost for the investments, less the accumulated amortization of any yield adjustments related to the security. The estimated market values are the amounts that we believe the securities could be sold for as of the dates indicated.

The amortized cost of investment securities at year-end 2003 increased 35.6% over 2002, with most of the increase taking place in floating-rate securities. The Company increased its securities portfolio during the year as it took advantage of the availability of low-cost financing. We currently expect that these securities will be sold when demand for loans increases.

Schedule 7 also presents information regarding the investment securities portfolio. This schedule presents the maturities of the different types of investments that

SCHEDULE 6

INVESTMENT SECURITIES PORTFOLIO

	December 31,					
	2003		2002		2001	
	Amortized cost	Estimated market value	Amortized cost	Estimated market value	Amortized cost	Estimated market value
<i>(Amounts in millions)</i>						
HELD TO MATURITY:						
Mortgage-backed securities	\$ -	-	-	-	79	80
	-	-	-	-	79	80
AVAILABLE FOR SALE:						
U.S. Treasury securities	42	43	44	47	61	63
U.S. government agencies and corporations:						
Small Business Administration						
loan-backed securities	738	741	752	756	674	674
Other agency securities	241	242	299	302	769	781
Municipal securities	715	718	640	645	505	514
Mortgage/asset-backed and other debt securities	2,351	2,368	1,187	1,208	960	969
	4,087	4,112	2,922	2,958	2,969	3,001
Other securities:						
Mutual funds	318	318	317	321	266	267
Stock	8	8	15	25	10	16
	326	326	332	346	276	283
	4,413	4,438	3,254	3,304	3,245	3,284
Total	\$ 4,413	4,438	3,254	3,304	3,324	3,364

SCHEDULE 7
MATURITIES AND AVERAGE YIELDS ON SECURITIES
ON DECEMBER 31, 2003

(Amounts in millions)	Total securities		Within one year		After one but within five years		After five but within ten years		After ten years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*
AVAILABLE FOR SALE:										
U.S. Treasury securities	\$ 42	3.7%	\$ 23	1.2%	\$ 18	6.7%	\$ -		\$ 1	8.4%
U.S. government agencies and corporations:										
Small Business Administration										
loan-backed securities	738	2.8	168	2.8	373	2.8	149	2.8%	48	2.8
Other agency securities	241	4.9	48	1.4	4	5.6	12	7.5	177	5.6
Municipal securities	715	7.0	86	6.7	215	7.0	219	7.1	195	7.2
Mortgage/asset-backed and other debt securities	2,351	4.1	119	4.1	272	4.1	115	4.1	1,845	4.1
	<u>4,087</u>	<u>4.4</u>	<u>444</u>	<u>3.7</u>	<u>882</u>	<u>4.3</u>	<u>495</u>	<u>5.1</u>	<u>2,266</u>	<u>4.5</u>
Other securities:										
Mutual funds	318	1.6	211	0.6	-		-		107	3.6
Stock	8	0.5	-		-		-		8	0.5
	<u>326</u>	<u>1.6</u>	<u>211</u>	<u>0.6</u>	<u>-</u>		<u>-</u>		<u>115</u>	<u>3.4</u>
Total	\$ 4,413	4.2%	\$ 655	2.7%	\$ 882	4.3%	\$ 495	5.1%	\$ 2,381	4.4%

*Taxable-equivalent rates used where applicable.

the Company owned as of December 31, 2003, and the corresponding average interest rates that the investments will yield if they are held to maturity. See "Liquidity Risk" on page 63 and also Notes 1, 4, and 7 of the Notes to Consolidated Financial Statements for additional information about the Company's investment securities and their management.

The investment securities portfolio at December 31, 2003 includes \$1,023 million of non-rated, fixed-income securities. Non-rated municipal securities held in the portfolio were created by Zions Public Finance Department. In addition to operations in Utah and Idaho, this Department includes the operations of Kelling, Northcross and Nobriga in California, Howarth & Associates in Nevada and the public finance department of NBA in Arizona. In addition to the non-rated municipal securities, the portfolio includes non-rated, asset-backed subordinated tranches. The asset-backed subordinated tranches created from Zions' loans are mainly the subordinated retained interests of

small-business loan securitizations. At December 31, 2003, these comprised \$134 million of the \$151 million set forth in Schedule 9. The tranches not created from Zions' loans are tranches of bank and insurance company Trust Preferred Collateral Debt Obligations. In addition, investment securities includes other non-rated debt securities, the majority of which were created by ZFNB. Although the credit quality of these non-rated securities is high, it would be difficult to market them in a short period of time without bond ratings.

NON-RATED SECURITIES

(Book value in millions)	December 31,	
	2003	2002
Municipal securities	\$ 653	537
Asset-backed subordinated tranches, created from Zions' loans	134	104
Asset-backed subordinated tranches, not created from Zions' loans	153	103
Other non-rated debt securities	83	83
	<u>\$1,023</u>	<u>827</u>

SCHEDULE 8
LOAN PORTFOLIO BY TYPE AND MATURITY

(Amounts in millions)	December 31, 2003				December 31,	
	One year or less	One year through five years	Over five years	Total	2002	2001
Loans held for sale	\$ 1	106	70	177	289	298
Commercial lending:						
Commercial and industrial	2,397	1,059	655	4,111	4,124	3,921
Leasing	22	240	115	377	384	421
Owner occupied	276	570	2,449	3,295	3,018	2,344
Total commercial lending	2,695	1,869	3,219	7,783	7,526	6,686
Commercial real estate:						
Construction	1,792	936	139	2,867	2,947	2,874
Term	317	1,325	1,784	3,426	3,175	3,027
Total commercial real estate	2,109	2,261	1,923	6,293	6,122	5,901
Consumer:						
Home equity credit line	104	10	724	838	651	401
1-4 family residential	333	829	2,712	3,874	3,209	3,173
Bankcard and other revolving plans	85	111	2	198	205	126
Other	140	492	117	749	1,000	707
Total consumer	662	1,442	3,555	5,659	5,065	4,407
Foreign loans	1	14	-	15	5	14
Other receivables	76	2	12	90	126	107
Total loans	\$ 5,544	5,694	8,779	20,017	19,133	17,413
Loans maturing in more than one year:						
With fixed interest rates		\$ 2,648	2,712	5,360		
With variable interest rates		3,046	6,067	9,113		
Total		\$ 5,694	8,779	14,473		

During 2002 the Company changed the classification of loans to more appropriate presentation categories. Information to reclassify the loans to the new categories for periods prior to 2001 is not available.

(Amounts in millions)	December 31,	
	2000	1999
Loans held for sale	\$ 181	205
Commercial financial and agricultural	3,615	3,036
Loans secured by real estate:		
Construction	2,273	1,722
Other:		
Home equity credit line	263	232
1-4 family residential	2,911	2,503
Other real estate-secured	4,190	4,168
Total	9,637	6,625
Consumer:		
Bankcard and other revolving plans	135	107
Other	472	490
Total	607	597
Lease financing	317	275
Foreign loans	26	53
Other receivables	75	62
Total loans	\$ 14,458	12,853

LOAN PORTFOLIO

As of December 31, 2003, net loans and leases accounted for 69.8% of total assets and 71.6% of tangible assets. Schedule 8 presents the Company's loan outstandings by type of loan as of the five most recent year-ends. The schedule also includes a maturity profile for the loans that were outstanding as of December 31, 2003. During 2002, we expanded the categories of loans that we present, in an effort to better reflect the composition of the portfolio. However, the information to retroactively apply this change to years prior to 2001 is unavailable.

Loan growth during 2003 continued at a moderate pace, reflecting the persistent soft economy and our concerns regarding aggressive loan growth in such an environment. In addition to new loan generation, approximately \$612 million of the growth in the loan portfolio related to purchased adjustable rate mortgages by CB&T as part of its asset-liability management program. We also continued our practice of securitizing and selling groups of loans to generate cash, which helps us manage interest rate risk and take advantage of new lending opportunities. During 2003, the Company securitized and sold \$1,064 million in small business loans, home equity credit lines, and Federal Agricultural Mortgage Corporation loans. For 2002, securitized loan sales totaled \$1,344 million.

SOLD LOANS BEING SERVICED

Zions performs loan servicing operations on both loans that it holds in its portfolios as well as loans that are owned by third party investor-owned trusts. Servicing loans includes:

- collecting loan and, in certain instances, insurance and property tax payments from the borrowers;
- monitoring adequate insurance coverage;
- maintaining documentation files in accordance with legal and contractual guidelines; and
- remitting payments to third party investor trusts and, where required, for insurance and property taxes.

Zions receives a fee for performing loan servicing for third parties. Failure by the Company to service the loans in accordance with the contractual requirements of the servicing agreements may lead to the termination of the servicing contract and the loss of future servicing fees.

SCHEDULE 9 SOLD LOANS BEING SERVICED

(Amounts in millions)	2003		2002		2001	
	Sales	Outstanding at year-end	Sales	Outstanding at year-end	Sales	Outstanding at year-end
Auto loans	\$ -	-	245	-	206	312
Home equity credit lines	327	446	362	447	308	349
Bankcard receivables	-	-	197	-	259	79
Nonconforming residential real estate loans	-	-	-	80	281	222
Small business loans	587	1,699	443	1,351	447	1,079
SBA 7(a) loans	69	227	16	194	76	237
Farmer Mac	81	410	81	404	108	370
Total	\$ 1,064	2,782	1,344	2,476	1,685	2,648

(Amounts in millions)	Residual interests on balance sheet at December 31, 2003			Residual interests on balance sheet at December 31, 2002		
	Subordinated retained interests	Capitalized residual cash flows	Total	Subordinated retained interests	Capitalized residual cash flows	Total
Home equity credit lines	\$ 11	9	20	11	9	20
Nonconforming residential real estate loans	-	-	-	3	2	5
Small business loans	151	96	247	119	93	212
SBA 7(a) loans	-	5	5	-	2	2
Farmer Mac	-	8	8	-	5	5
Total	\$ 162	118	280	133	111	244

As discussed earlier, Zions has a practice of securitizing and selling a portion of the loans that it originates. In many instances, we provide the servicing on these loans as a condition of the sale. Schedule 9 summarizes the sold loans (other than conforming long-term first mortgage real estate loans) that the Company was servicing as of the dates indicated and the related loan sales activity. As of December 31, 2003, conforming long-term first mortgage real estate loans being serviced for others was \$352 million compared with \$342 million at the same date in 2002. Consumer and other sold loans being serviced totaled \$2,782 million at the end of 2003 and \$2,476 million at the end of 2002. In addition, in the fourth quarter of 2002, the Company, with the consents of the parties to the agreements and majority of the beneficial interest owners, repurchased at fair value the entire outstanding balances of previously securitized automobile loans and bankcard receivables. No gain or loss was recognized as a result of the transactions. See Notes 1 and 6 of the Notes to Consolidated Financial Statements for additional information on asset securitizations.

As of December 31, 2003, the Company had recorded assets in the amount of \$280 million in connection with sold loans being serviced of \$2,782 million. Although it performs the servicing, Zions exerts no control nor does it have any equity interest in any of the trusts that own the securitized loans. However, as is a common practice with securitized transactions, the company had retained subordinated interests in the securitized assets amounting to \$162 million at December 31, 2003, representing junior positions to the other investors in the trust securities. The capitalized residual cash flows, which is sometimes referred to as "excess servicing", of \$118 million primarily represent the present value of the excess cash flows that have been projected over the lives of the sold loans. These excess cash flows are subject to prepayment risk, which is the risk that a loan will be paid prior to its contractual maturity. When this occurs, any remaining excess cash flows that are associated with the loan must be reduced. See Note 6 of the Notes to Consolidated Financial Statements for more information on assets securitizations.

OTHER EARNING ASSETS

As of December 31, 2003, the Company had \$584 million of other noninterest bearing investments compared with \$602 million in 2002. At year-end 2003 these investments included of \$366 million of bank-owned life insurance, \$96 million of Federal Home Loan Bank and Federal Reserve Bank stock and \$64 million in non-public ventures through four Small Business Investment Companies. The Company's remaining equity exposure to the ventures, net of minority interest and Small Business Administration debt, at December 31, 2003 was \$38.0 million. The Company also had \$58 million of investments in other unconsolidated publicly traded and nonpublic companies, of which \$28 million are in a publicly traded company as set forth in the following table:

		December 31, 2003		
(Amounts in millions)	Symbol	Carrying value	Market value	Unrealized gain
COMPANY				
Federal Agricultural Mortgage Corporation (Farmer Mac)	AGM/A	\$ 5	7	2
Federal Agricultural Mortgage Corporation (Farmer Mac)	AGM	23	48	25
Total publicly traded equity investments		\$ 28	55	27

DEPOSITS AND BORROWED FUNDS

Deposits, both interest bearing and noninterest bearing, are a primary source of funding for the Company. Schedule 1 summarizes the average deposit balances for the past five years, along with their respective interest costs and average interest rates. Average noninterest bearing deposits increased 16.3% in 2003 over 2002, while interest bearing deposits increased 6.5% during the same time period.

See "Liquidity Risk" on page 63 for information on funding and borrowed funds. Also, see Notes 12, 13 and 14 of the Notes to Consolidated Financial Statements for additional information on borrowed funds.

OFF-BALANCE SHEET ARRANGEMENTS

As discussed earlier, ZFNB provides a liquidity facility for a fee to a qualifying special-purpose entity securities conduit, Lockhart Funding, LLC, that purchases U.S. Government and AAA-rated securities, which are funded through the issuance of commercial paper. ZFNB also provides for a fee hedge support and administrative and investment advisory services. Under the terms of the liquidity facility, if certain conditions arise, ZFNB is required to purchase securities from Lockhart to provide funds and enable it to repay maturing commercial paper. Lockhart is an important source of funding for the Company's loans and is not consolidated in the Company's financial statements. See "Liquidity Management" on page 64 and Note 6 of the Notes to Consolidated Financial Statements for additional information on Lockhart.

The Company, through its securitization activities, securitizes and sells loans that it originates to Qualifying Special Purpose Entities. These securitizations provide an alternative source of funding for the subsidiaries and enhance the flexibility in meeting funding needs. In connection with the securitizations, the Company generally retains an interest in the securitized assets and provides servicing for the loans as part of the arrangement. These Qualified Special Purpose Entities are not consolidated into the Company. See Note 6 of the Notes to Consolidated Financial Statements for additional information on the Company's securitization activities.

RISK ELEMENTS

Since risk is inherent in most of the Company's operations, management of risk is integral to its operations and is also a key determinant of its overall performance. We apply various strategies to reduce the risks to which the Company's operations are exposed, namely credit, operational, interest rate and market, and liquidity risks. These strategies are discussed in the following sections.

CREDIT RISK MANAGEMENT

Credit risk is the possibility of loss from the failure of a borrower or contractual counterparty to fully perform under the terms of a credit-related contract. Credit risk arises primarily from the Company's lending activities, as well as from other on- and off-balance-sheet credit instruments.

As noted earlier in the Executive Summary, we believe that the Company's credit risk metrics have constantly compared favorably with those of peer institutions. In addition, during 2003 most indicators of credit quality, such as nonaccrual loans and other nonperforming assets, as well as internal classification measures exhibited improvement, particularly in the latter half of the year. Based on information currently available, we expect some further improvement in these credit quality measures in 2004.

Effective management of credit risk is essential in maintaining a safe and sound financial institution. We have structured the organization to separate the lending function from the credit administration function, which has added strength to the control over, and independent evaluation of credit activities. Formal loan policies and procedures provide the Company with a framework for consistent underwriting and a basis for sound credit decisions. In addition, the Company has a well-defined set of standards for evaluating its loan portfolio, and management utilizes a comprehensive loan grading system to determine the risk potential in the portfolio. Further, an independent internal credit examination department periodically conducts examinations of the Company's lending departments. These examinations are designed to review the quality, documentation, administration and compliance with lending policies and reports thereon are submitted to a committee of the Board of Directors. Both the credit policy and the credit examination functions are managed centrally. Each bank is able to modify corporate credit policy to be more conservative, however, corporate approval must be obtained if a bank wishes to create a more liberal exception to policy. Historically, a limited number of exceptions have been approved. This entire

ess has been designed to place an emphasis on detection of potential problem credits so that on plans can be developed and implemented on a basis to mitigate any potential losses.

With regard to credit risk associated with counterparties in off-balance-sheet credit instruments, ZFNB has an International Swap Dealer Association ("ISDA") agreements in place under which derivative transactions are entered into with major derivative dealers. Each ISDA agreement details the collateral arrangement between ZFNB and its counterparty. In every case, the amount of the collateral required to secure the exposed party in the derivative transaction is determined by the mark-to-market exposure on the derivative and the credit rating of the party with the obligation. The rating used in these situations is provided by Moody's or Standard and Poor's. This means that a counterparty with a "AAA" rating would be obligated to provide less collateral to secure a major credit exposure to ZFNB than one with an "A" rating. All derivative gains and losses between ZFNB and a single counterparty are netted to determine the net credit exposure and therefore the collateral required.

Another aspect of the Company's credit risk management strategy is to pursue the diversification of the

loan portfolio. As displayed in the following table, at year-end 2003 no single loan type exceeded 20.5% of the Company's total loan portfolio.

LOAN PORTFOLIO DIVERSIFICATION

(Amounts in millions)	December 31, 2003		December 31, 2002	
	Amount	% of total loans	Amount	% of total loans
Commercial lending:				
Commercial and industrial	\$ 4,111	20.5%	\$ 4,124	21.5%
Leasing	377	1.9	384	2.0
Owner occupied	3,295	16.5	3,018	15.8
Commercial real estate:				
Construction	2,867	14.3	2,947	15.4
Term	3,426	17.1	3,175	16.6
Consumer:				
Home equity credit line	838	4.2	651	3.4
1-4 family residential	3,874	19.4	3,209	16.8
Bankcard and other revolving plans	198	1.0	205	1.1
Other	749	3.7	1,000	5.2
Other receivables	282	1.4	420	2.2
Total Loans	\$ 20,017	100.0%	\$ 19,133	100.0%

In addition, as reflected in Schedule 10, as of December 31, 2003, the commercial real estate loan portfolio is also well diversified by property type and collateral location.

SCHEDULE 10
COMMERCIAL REAL ESTATE PORTFOLIO BY PROPERTY TYPE AND COLLATERAL LOCATION

(REPRESENTS PERCENTAGES BASED UPON OUTSTANDING COMMERCIAL REAL ESTATE LOANS)

ON DECEMBER 31, 2003

Loan Type	Collateral Location								Product	Product
	Arizona	Northern California	Southern California	Nevada	Colorado	Utah/ Idaho	Washington	Other	as a % of total CRE	as a % of loan type
<i>Commercial term:</i>										
Industrial	1.31%	0.75	3.04	0.07	1.08	0.24	0.16	0.23	6.88	12.26
Office	2.19	1.06	2.59	2.27	1.17	2.05	0.24	1.28	12.85	22.94
Retail	2.25	1.24	3.96	1.17	0.58	0.47	0.21	0.58	10.46	18.66
Hotel/motel	1.70	0.22	1.12	0.99	0.43	1.17	0.13	2.07	7.83	14.00
A&D	0.24	0.04	0.19	0.16	0.24	0.28	0.13	0.09	1.37	2.47
Medical	0.91	0.05	0.95	0.58	0.01	0.11	-	0.21	2.82	5.00
Recreation/restaurant	0.13	0.15	0.30	0.17	0.11	0.04	-	0.27	1.17	2.07
Multifamily	0.57	0.34	1.13	0.51	0.70	0.91	0.17	0.58	4.91	8.77
Golf course	0.44	0.04	-	-	-	0.05	-	0.02	0.55	0.98
Other	0.93	0.35	2.04	1.42	0.67	1.08	0.05	0.66	7.20	12.85
Total commercial term	10.67	4.24	15.32	7.34	4.99	6.40	1.09	5.99	56.04	100.00
<i>Residential construction:</i>										
Single family housing	3.79	0.23	3.02	0.18	1.28	2.79	0.05	1.29	12.63	52.79
Condominium/townhouse	0.27	0.12	0.31	-	0.09	0.04	-	0.06	0.89	3.77
A&D	2.39	0.81	2.93	0.36	0.90	1.06	0.01	1.93	10.39	43.44
Total residential construction	6.45	1.16	6.26	0.54	2.27	3.89	0.06	3.28	23.91	100.00
<i>Commercial construction:</i>										
Industrial	0.12	0.12	0.44	0.13	0.49	0.12	0.01	0.26	1.69	8.44
Office	0.45	0.87	0.54	0.11	0.64	0.44	0.53	1.04	4.62	23.07
Retail	1.97	-	0.49	0.64	0.38	0.57	0.06	1.25	5.36	26.73
Hotel/motel	0.06	0.44	0.24	-	-	0.08	-	0.10	0.92	4.55
A&D	0.34	0.10	0.23	0.90	0.40	0.06	0.07	0.14	2.24	11.25
Medical	0.17	-	0.18	-	-	-	0.03	0.01	0.39	1.94
Recreation/restaurant	0.02	-	-	-	-	-	-	0.02	0.04	0.17
Golf course	-	-	0.21	0.07	-	-	-	-	0.28	1.37
Other	-	0.10	0.19	-	0.11	-	0.15	0.04	0.59	2.94
Apartments	0.43	0.42	0.70	0.03	1.16	0.06	0.33	0.79	3.92	19.54
Total commercial construction	3.56	2.05	3.22	1.88	3.18	1.33	1.18	3.65	20.05	100.00
Total construction	10.01	3.21	9.48	2.42	5.45	5.22	1.24	6.93	43.96	100.00
Total commercial real estate	20.68%	7.45	24.80	9.76	10.44	11.62	2.33	12.92	100.00	

Note: Excludes approximately \$333 million of unsecured loans outstanding, but related to the real estate industry.

The Company's concentration in owner occupied commercial loans is substantially reduced by the emphasis we place on lending programs sponsored by the Small Business Administration. On these types of loans, the Small Business Administration bears a major portion of the credit risk. In addition, the Company attempts to avoid the risk of an undue concentration of credits in a particular industry, trade group or property type. The Company also has no significant exposure to highly-leveraged transactions. In addition, the majority of the Company's business

activity is with customers located within the states of Utah, Idaho, California, Nevada, Arizona, Colorado, and Washington. Finally, the Company has no significant exposure to any individual customer or counterparty. See Note 5 of the Notes to Consolidated Financial Statements for further information on concentrations of credit risk.

SCHEDULE 11 NONPERFORMING ASSETS

(Amounts in millions)	December 31,		
	2003	2002	2001
Nonaccrual loans:			
Commercial lending:			
Commercial and industrial	\$ 36	29	40
Leasing	2	11	6
Owner occupied	15	14	18
Commercial real estate:			
Construction	7	7	12
Term	3	4	20
Consumer:			
Real estate	11	11	9
Other	3	4	2
Other	1	2	2
Restructured loans:			
Commercial real estate:			
Construction	1	1	1
Term	-	1	-
Real estate owned:			
Commercial, financial and agricultural			
Improved	12	23	4
Unimproved	4	3	2
Residential, 1-4 Family	3	6	4
Total	\$ 98	116	120

% of net loans* and leases and other real estate owned **0.49%** 0.61% 0.69%

Accruing loans past due 90 days or more:

Commercial lending	\$ 10	13	22
Commercial real estate	3	10	13
Consumer	11	12	11
Other receivables	-	2	-
Total	\$ 24	37	46

% of net loans* and leases **0.12%** 0.20% 0.27%

* Includes loans held for sale.

During 2002 the Company changed the classification of loans to more appropriate presentation categories. Information to reclassify the loans to the new categories for periods prior to 2001 is not available.

NONPERFORMING ASSETS

Nonperforming assets include nonaccrual loans, restructured loans and other real estate owned. Loans are generally placed on nonaccrual status when the loan is 90 days or more past due as to principal or interest, unless the loan is both well secured and in the process of collection. Consumer loans, however, are not normally placed on a nonaccrual status, inasmuch as they are generally charged off when they become 120 days past due. Loans may be occasionally restructured to provide a reduction or deferral of interest or principal payments. This generally occurs when

(Amounts in millions)	December 31,	
	2000	1999
Nonaccrual loans:		
Commercial, financial and agricultural	\$ 20	29
Real estate	34	34
Consumer	2	1
Lease financing	2	1
Restructured loans:		
Commercial, financial and agricultural	2	-
Real estate	1	1
Other real estate owned:		
Commercial, financial and agricultural:		
Improved	6	5
Unimproved	2	3
Residential, 1-4 Family	2	1
Total	\$ 71	75

% of net loans* and leases and other real estate owned 0.49% 0.58%

Accruing loans past due 90 days or more:

Commercial, financial and agricultural	\$ 8	4
Real estate	18	15
Consumer	1	2
Total	\$ 27	21

% of net loans* and leases 0.19% 0.16%

* Includes loans held for sale.

the financial condition of a borrower deteriorates to the point that the borrower needs to be given temporary or permanent relief from the original contractual terms of the loan. Other real estate owned is acquired primarily through or in lieu of foreclosure on loans secured by real estate.

The level of the Company's nonperforming assets continued to improve during 2003. Total nonperforming assets were \$98 million at December 31, 2003 down from \$116 million at December 31, 2002, and \$120 million at December 31, 2001. Nonperforming assets

as a percentage of net loans and leases and other real estate owned were 0.49% at December 31, 2003 compared with 0.61% on December 31, 2002.

Included in nonaccrual loans are loans that we have determined to be impaired. Loans, other than those included in large groups of smaller-balance homogeneous loans, are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. The amount of the impairment is measured based on either the present value of expected cash flows, the observable market price of the loan, or the fair value of the collateral securing the loan.

The Company's total recorded investment in impaired loans was \$44 million at both December 31, 2003 and December 31, 2002. Estimated losses on impaired loans are added to the allowance for loan losses through the provision for loan losses. At December 31, 2003, the allowance for loan losses included \$5 million for impaired loans with a recorded investment of \$21 million. At December 31, 2002 the allowance included \$7 million for impaired loans with a \$20 million recorded investment. See Note 5 of the Notes to Consolidated Financial Statements for additional information on impaired loans.

ALLOWANCE FOR LOAN LOSSES

In analyzing the adequacy of the allowance for loan losses, we utilize a comprehensive loan grading system to determine the risk potential in the portfolio and consider the results of independent internal credit reviews. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type. We use historical loss experience factors by loan segment, adjusted for changes in trends and conditions, to help determine the required allowance for each segment. These factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific portfolio segment. Other considerations include:

- volumes and trends of delinquencies;
- nonaccruals, repossessions and bankruptcies;

- criticized and classified loan trends;
- current and anticipated foreclosure losses;
- new products and policies;
- economic conditions;
- concentrations of credit risk; and
- experience and abilities of lending personnel.

In addition to the segment evaluations, all loans graded substandard or doubtful with an outstanding balance of \$500 thousand or more are individually evaluated based on facts and circumstances of the loan to determine if a specific allowance amount may be necessary. Specific allowances may also be established for loans whose outstanding balances are below the specified thresholds when it is determined that the risk associated with the loan differs significantly from the risk factor amounts established for its loan segment.

After a preliminary allowance for credit losses has been established for the loan portfolio segments, we perform an additional review of the adequacy of the allowance based on the loan portfolio in its entirety. This enables us to mitigate the imprecision inherent in most estimates of expected credit losses and also supplements the allowance. This supplemental portion of the allowance includes our judgmental consideration of any additional amounts necessary for subjective factors such as economic uncertainties and excess concentration risks.

Schedule 12 provides a breakdown of the allowance for loan losses, the allocation among the portfolio segments and the amount that is unallocated. No significant changes took place in the allocation of the allowance for loan losses, reflecting the mix of the loan portfolio and the levels of nonperforming assets. Schedule 13 summarizes the Company's loan loss experience by major portfolio segment.

We also estimate the potential credit losses related to undrawn commitments to extend credit using a similar process to the one described above. At December 31, 2003, this estimate totaled \$12.2 million and is included in other liabilities. In prior years, the potential credit losses related to undrawn commitments to extend credit were included in the allowance for loan losses.

SCHEDULE 12
ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES
ON DECEMBER 31

(Amounts in millions)	2003		2002		2001	
	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance
TYPE OF LOAN						
Loans held for sale	0.9%	\$ 2	1.5%	\$ 2	1.7%	\$ 2
Commercial lending	38.9	130	39.3	132	38.5	123
Commercial real estate	31.5	90	32.0	91	33.9	89
Consumer	28.3	45	26.5	42	25.3	35
Other receivables	0.4	2	0.7	2	0.6	2
Total loans	100.0%		100.0%		100.0%	
Off-balance sheet unused commitments and standby letters of credit ¹		-		10		8
Total allocated		269		279		259
Unallocated		-		1		1
Total allowance for loan losses		\$ 269		\$ 280		\$ 260

¹ In 2003 the potential credit losses related to undrawn commitments to extend credit were reclassified and included in other liabilities.

² In 2002 the Company changed the classification of loans to more appropriate presentation categories. Information to reclassify the loans to the new categories prior to 2001 is not available.

(Amounts in millions)	2000		1999	
	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance
TYPE OF LOAN				
Loans held for sale	1.3%	\$ -	1.6%	\$ -
Commercial, financial and agricultural	25.1	57	23.8	46
Real estate	66.7	110	67.4	100
Consumer	4.2	9	4.6	12
Lease financing	2.2	4	2.1	6
Other receivables	0.5	-	0.5	-
Total loans	100.0%		100.0%	
Off-balance sheet unused commitments and standby letters of credit ¹		14		23
Total allocated		194		187
Unallocated		2		17
Total allowance for loan losses		\$ 196		\$ 204

¹ In 2003 the potential credit losses related to undrawn commitments to extend credit were reclassified and included in other liabilities.

SCHEDULE 13
SUMMARY OF LOAN LOSS EXPERIENCE

<i>(Amounts in millions)</i>	2003	2002	2001
Loans* and leases outstanding on December 31, (net of unearned income)	\$ 19,920	19,040	17,311
Average loans* and leases outstanding (net of unearned income)	\$ 19,325	18,114	16,015
Allowance for loan losses:			
Balance at beginning of year	\$ 280	260	196
Allowance of companies acquired	-	1	30
Allowance associated with repurchased revolving securitized loans	-	10	-
Provision charged against earnings	70	72	73
Loans and leases charged-off:			
Commercial lending	(56)	(54)	(37)
Commercial real estate	(3)	(10)	(4)
Consumer	(27)	(20)	(14)
Total	(86)	(84)	(55)
Recoveries:			
Commercial lending	12	14	11
Commercial real estate	-	3	1
Consumer	5	4	4
Total	17	21	16
Net loan and lease charge-offs	(69)	(63)	(39)
	281	280	260
Reclassification of allowance for unfunded lending commitments	(12)	-	-
Balance at end of year	\$ 269	280	260
Ratio of net charge-offs to average loans and leases	0.36%	0.35%	0.24%
Ratio of allowance for loan losses to net loans and leases outstanding on December 31,	1.35%	1.47%	1.50%
Ratio of allowance for loan losses to nonperforming loans on December 31,	338.31%	332.37%	236.65%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more on December 31,	262.21%	234.14%	168.23%

During 2002 the Company changed the classification of loans to more appropriate presentation categories. Information to reclassify the loans to the new categories for periods prior to 2001 is not available.

<i>(Amounts in millions)</i>	2000	1999
Loans* and leases outstanding on December 31, (net of unearned income)	\$ 14,378	12,791
Average loans* and leases outstanding (net of unearned income)	\$ 13,649	11,819
Allowance for loan losses:		
Balance at beginning of year	\$ 204	213
Allowance of companies acquired	2	3
Provision charged against earnings	32	18
Loans and leases charged-off:		
Commercial, financial and agricultural	(38)	(32)
Real estate	(4)	(3)
Consumer	(9)	(9)
Lease financing	(2)	(2)
Total	(53)	(46)
Recoveries:		
Commercial, financial and agricultural	6	6
Real estate	1	7
Consumer	3	3
Lease financing	1	-
Total	11	16
Net loan and lease charge-offs	(42)	(30)
Balance at end of year	\$ 196	204
Ratio of net charge-offs to average loans and leases	0.31%	0.25%
Ratio of allowance for loan losses to net loans and leases outstanding on December 31,	1.36%	1.60%
Ratio of allowance for loan losses to nonperforming loans on December 31,	320.69%	310.87%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more on December 31,	229.35%	238.07%

* Includes loans held for sale.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures. The Company currently has in place systems and procedures to monitor transactions and positions, transactional documentation requirements, regulatory compliance reviews, and periodic reviews by internal audit and credit examination, all of which mitigate operational risk. Reconciliation procedures are also in place to ensure that data processing systems capture critical data. In addition, we maintain contingency plans and systems for operations support in the event of natural disasters.

In addition, during 2003 the Company substantially enhanced its central Operating Risk Management group. We installed RiskResolve™ software developed and marketed by Providus Software Solutions, Inc., a wholly-owned subsidiary of Zions. With RiskResolve™ we have documented controls and the Control Self Assessment related to financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"). During 2004, we expect to continue to enhance the Company's controls over operating risk more broadly through further deployment of RiskResolve™.

INTEREST RATE AND MARKET RISK MANAGEMENT

Interest rate risk is the potential for loss resulting from adverse changes in the level of interest rates on the Company's net interest income. Market risk is the potential for loss arising from adverse changes in the prices of fixed income securities, equity securities, other earning assets and derivative financial instruments as a result of changes in interest rates or other factors. As a financial institution that engages in transactions involving an array of financial products, Zions is exposed to interest rate risk and market risk.

The Zions Asset/Liability Committee ("ALCOM") measures and reviews the interest rate and market risk of the Company and establishes policies and procedures that are designed to limit the Company's exposure to changes in interest rates. The Boards of Directors of the Company's subsidiary banks also

review and approve these policies. ALCOM's objectives are as follows:

- Ensure the safety and soundness of bank deposits, while providing an appropriate return to shareholders;
- Provide the basis for integrated balance sheet, net interest income and liquidity management;
- Calculate the duration, dollar duration, and convexity of each class of assets, liabilities, and net equity, given defined interest rate scenarios;
- Manage the Company's exposure to changes in net interest income and market value of equity due to interest rate fluctuations;
- Quantify the effect of hedging instruments on the market value of equity and net interest income under defined interest rate scenarios; and
- Identify and report any risk exposures that exceed limitations approved by the Board of Directors of the Company or its subsidiaries.

INTEREST RATE RISK

Interest rate risk is the most significant market risk to which the Company is regularly exposed. We monitor this risk through the use of two complementary measurement methods: duration of equity and income simulation. In the duration of equity method, we measure the changes in the market values of equity in response to changes in interest rates. In the income simulation method, we analyze the changes in income in response to changes in interest rates. The tool that we use to apply both of these methods is an asset-liability management system marketed by a third party company, QRM. In general, our goal in managing interest is to have net interest income increase in a rising interest rate environment, which tends to mitigate any declines in the market value of equity due to higher discount rates. This approach is based on our belief that in a rising interest rate environment, the market cost of equity, or implied rate at which future earnings are discounted, would also tend to rise. We refer to this position as "asset sensitive".

Duration of equity is derived by first calculating the dollar duration of all assets, liabilities and derivative instruments. Dollar duration is determined by calculating the

market value of each instrument assuming interest rates sustain immediate and parallel movements up 1% and down 1%. The average of these two changes in market value is the dollar duration, which incorporates the value of embedded and explicit options within each instrument. Subtracting the dollar duration of liabilities from the dollar duration of assets and adding the net dollar duration of derivative instruments results in the dollar duration of equity. Duration of equity is computed by dividing the dollar duration of equity by the market value of equity.

Income simulation is an estimate of the net interest income that would be recognized under different rate environments. Net interest income is measured under several parallel and nonparallel interest rate environments, taking into account an estimate of the possible exercise of options within the portfolio.

Both of these measurement methods require that we assess a number of variables and make various assumptions in managing the Company's exposure to changes in interest rates. The assessments address loan and security prepayments, early deposit withdrawals, and other imbedded options and noncontrollable events. As a result of the increased uncertainty about the maturity and repricing characteristics of both deposits and loans, the Company estimates ranges of duration and income simulation under a variety of assumptions and scenarios. The interest rate risk position is actively managed and changes frequently as the interest rate environment changes; therefore, positions at the end of any period may not be reflective of the Company's position in any subsequent period.

At year-end 2003, the Company's duration of equity was estimated to be within a range of negative 0.2 years and positive 2.3 years. We should note that duration of equity is highly sensitive to the assumptions used for deposits that do not have specific maturities, such as checking, savings, and money market accounts. Given the uncertainty of these durations, we view the duration of equity as falling within a range of possibilities. If interest rates were to sustain an immediate parallel increase of 200 basis points, the duration of equity would be estimated to fall within the range of 0.9 years and 3.4 years.

For income simulation, Company policy requires that net interest income be expected to decline by no more than 10% during one year if rates were to immediately rise or fall in parallel by 200 basis points. At year-end 2003, net interest income was expected to increase 0.7% if interest rates were to sustain an immediate parallel increase of 200 basis points and decline 2.8% if rates were to sustain an immediate parallel decrease of 200 basis points. It should be noted that LIBOR and U.S. Treasury rates with maturities of six months and less were below 2% at year-end 2003. In the scenario of interest rates decreasing 200 basis points, rates were not permitted to fall below 0.01%. At year-end 2002, net interest income was expected to increase 2.7% if rates were to increase in parallel 200 basis points and decline 9.0% if rates were to decrease in parallel 200 basis points. These estimates include management's assumptions regarding loan and deposit pricing, security and loan prepayments, and changing relationships to market rates.

We attempt to control the effects that changes in interest rates will have on net interest income through the management of maturities and repricing of the Company's assets and liabilities and also with the use of interest rate swaps. The prime lending rate and the London Interbank Offer Rate ("LIBOR") curves are the primary indices used for pricing the Company's loans, and the 91-day Treasury bill rate is the index used for pricing many of the Company's deposits. The Company does not hedge the prime/LIBOR/Treasury Bill spread risk through the use of derivative instruments.

Our focus on business banking also determines the nature of the Company's asset-liability management posture. Approximately 50% of the Company's commercial loan and commercial real estate portfolios were floating rate and tied to either Prime or LIBOR. In addition, certain consumer loans have floating interest rates. This means that these loans reprice very quickly in response to changes in interest rates – more quickly on average than does its funding base. This posture results in a naturally "asset sensitive" position. We believe that maintaining an asset sensitive position is appropriate for a banking institution whose income is heavily dependent on the spread between interest received and interest

SCHEDULE 14**INTEREST RATE SWAPS (CASH FLOW AND NONHEDGE) - MATURITIES AND AVERAGE RATES**

<i>(Amounts in millions)</i>	2004	2005	2006	2007	2008	Thereafter	Total
Receive fixed rate/pay variable rate:							
Notional amount	\$ 176	450	423	286	854	-	2,189
Weighted average rate received	7.10%	3.57	4.93	5.57	5.95	-	5.31
Weighted average rate paid	1.20%	1.19	3.31	3.69	3.53	-	2.83
Receive variable rate/pay fixed rate:							
Notional amount	\$ 225	50	35	25	75	-	410
Weighted average rate received	1.16%	1.19	1.19	1.19	1.17	-	1.17
Weighted average rate paid	5.33%	1.98	2.63	3.15	3.62	-	4.25

paid. This is because we believe that in a rising rate environment, the cost of equity (that is, the discount rate implicitly applied by equity investors to expected future earnings) also usually will be increasing. Thus, to stabilize the market value of the Company, we believe that an expanding interest margin in a rising rate environment is appropriate. The converse is true in a declining rate environment. However, we believe that the Company's core banking business leads naturally to a position that is asset sensitive.

The Company attempts to mitigate this tendency toward asset sensitivity primarily through interest rate swaps. It has contracted to convert fixed-rate debt into floating-rate debt. More importantly, it engages in an ongoing program of swapping Prime-based loans for "received fixed" five year contracts. At year-end 2003 the Company had a notional amount of approximately \$2.2 billion of such contracts, and throughout much of 2003 was adding an average of approximately \$60 million per month. During 2004, approximately \$400 million of swaps will mature, and are expected to be replaced with new swaps. However, in the present interest rate environment, the new swaps will have much lower spreads than the old, maturing swaps. As a result, for this and other reasons, the Company expects continued downward pressure on margins in 2004 unless interest rates rise above the levels of late 2003 and early 2004. These swaps also expose the Company to counter-party risk, which is a type of credit risk. The Company's approach to managing this risk is discussed in "Credit Risk Management" on page 52.

In January 2004, the staff of FASB issued for comment a proposed interpretation of SFAS 133 that would disallow "Prime" as an acceptable index for cash flow hedges. We believe that a number of banks (including Zions), accounting firms and regulators will comment against this proposal. However, if it is issued in its current form, we would be required to significantly change the Company's interest rate risk management practices.

Interest rate swap maturities and average rates are presented in Schedule 14. For additional information regarding derivative instruments, including fair values at December 31, 2003, refer to Notes 1 and 7 of the Notes to Consolidated Financial Statements.

MARKET RISK-FIXED INCOME

The Company engages in trading and market making of U.S. Treasury, U.S. Government Agency, municipal and corporate securities. This trading and market making exposes the Company to a risk of loss arising from adverse changes in the prices of these fixed income securities held by the Company.

At year-end 2003, the Company made a market in approximately 1,488 fixed income securities through ZFNB and its wholly-owned subsidiary, Zions Investment Securities, Inc. Seventy-six percent of all 2003 trades were executed electronically. The Company is an odd-lot securities dealer, which means that most U.S. Treasury and Government Agency trades are for less than \$5 million and most corporate security trades are for less than \$250,000. To see Zions' current offerings, go to www.govrate.com.

The Company monitors risk in fixed income trading and market making through Value-at-Risk ("VAR"). VAR is the worst-case loss expected within a specified confidence level, based on statistical models using historical data. The models used by Zions are provided by Bloomberg, who also "back-tests" them. The confidence level used by Zions is 99%, which means that larger losses than the VAR would only be expected on 1% of trading days (or approximately 2.5 trading days per year), assuming that the Company maintained the same VAR on a daily basis. Reports of trading income and losses and VAR measurements are reviewed with the Executive Committee of ZFNB on a bi-weekly basis. The Company does not use VAR measurements to control risk for other than its market making, fixed income trading and non-hedge derivative portfolios. The following table shows the VAR statistics for the Company's market making and trading portfolio during 2003 and 2002.

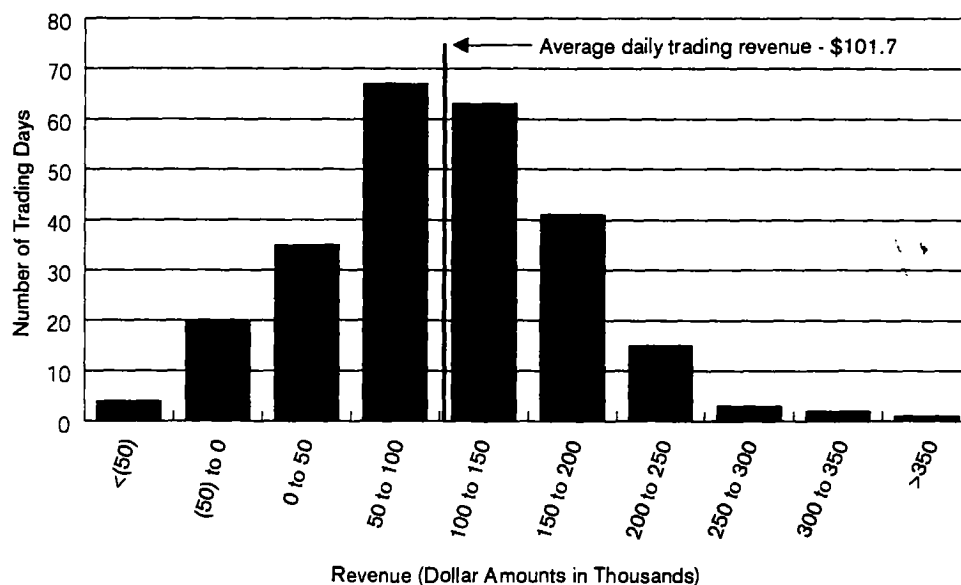
MARKET MAKING AND TRADING SUMMARY

<i>(Dollar amounts in thousands)</i>	2003	2002	% Change
Value at Risk:			
Average daily VAR	\$ 920	781	17.8%
Largest daily VAR during the year	1,841	1,533	20.1
Smallest daily VAR during the year	504	294	71.4
Daily Trading Revenue:			
Daily average trading revenue	102	100	2.0%
Largest daily trading revenue	633	411	54.0
Largest daily trading loss	(86)	(238)	(63.9)
Number of Electronic Trades:			
Average daily trade volume	1,323	955	38.5%
Highest daily trade volume	2,082	1,967	5.8
Lowest daily trade volume	715	439	62.9
Total Annual Trades:			
Total trades	443,383	367,933	20.5%
Total electronic trades	330,785	238,743	38.6

	December 31, 2003
Electronic Market Making	
Number of issues:	
U.S. Treasury Bills, Notes and Bonds	169
U.S. Treasury Strips	125
U.S. Agency Notes and Bonds	177
U.S. Corporate Bonds	1,017
Total issues	1,488

The following graph depicts the number of days on which Zions' trading and market making revenues fell within particular ranges:

CHART 8 - HISTOGRAM OF DAILY TRADING REVENUE
Twelve Months Ended December 31, 2003



MARKET RISK-EQUITY INVESTMENTS

Through its equity investment activities, the Company owns equity securities that are publicly traded and subject to fluctuations in their market prices or values. In addition, the Company owns equity securities in companies that are not publicly traded, that are accounted for under either fair value or equity methods of accounting, depending upon the Company's ownership position and degree of involvement in influencing the investees' affairs. In either event, the value of the Company's investment is also subject to fluctuation. Since these market prices or values may fall below the Company's investment costs, the Company is exposed to the possibility of loss.

The Company generally conducts minority investing in pre-public venture capital companies in which it does not have strategic involvement, through four funds collectively referred to by us as Wasatch Venture Funds ("Wasatch"). Wasatch screens investment opportunities and makes investment decisions based on its assessment of business prospects and potential returns. After an investment is made, Wasatch actively monitors the performance of the companies in which it has invested, and often has representation on the Board of Directors of the company. In the last three years, these investments have resulted in consistent losses to Zions. Net of minority interest and income tax effects, losses were \$12.3 million in 2003, \$11.2 million in 2002, and \$20.3 million in 2001. As a result of these losses and a change in our strategy toward venture capital investing, the Company has decided to substantially reduce the level of this type of investing in the future. In addition, we do not believe that this type of investing constitutes a "core" strength of the Company. The Company's remaining equity exposure to Wasatch, net of minority interest and Small Business Administration debt, at December 31, 2003 was approximately \$38.0 million.

The Company also, from time to time, either starts and funds businesses of a strategic nature, or makes significant investments in companies of strategic interest. These investments may result in either minority or majority ownership positions, and usually give Zions or its subsidiaries board representation. These strategic investments are in companies that are financial serv-

es or financial technologies providers. Examples of these investments include ICAP and Lending Tree, which were both sold at substantial gains in 2003. Other examples include NetDeposit, Identrus, P5, and Roth Capital, which are ongoing.

LIQUIDITY RISK

OVERVIEW

Liquidity risk is the possibility that the Company's cash flows may not be adequate to fund its ongoing operations and meet its commitments in a timely and cost-effective manner. Since liquidity risk is closely linked to both credit risk and market risk, many of the previously discussed risk control mechanisms also apply to the monitoring and management of liquidity risk. We manage the Company's liquidity to provide adequate funds to meet its anticipated financial and contractual obligations, including withdrawals by depositors, debt service requirements and lease obligations, as well as to fund customers' needs for credit.

Maintaining liquidity is the ultimate responsibility of ALCOM, which has established a corporate Liquidity and Funding Policy that must be adhered to by the Parent and the subsidiary banks. This policy includes guidelines by which liquidity and funding are to be managed. These guidelines address maintaining local liquidity needs, diversifying funding positions, monitoring liquidity at consolidated as well as subsidiary levels, and anticipating future funding needs. The policy also includes liquidity ratio guidelines that are used to monitor the liquidity positions of the Parent and bank subsidiaries.

Managing liquidity and funding is performed centrally by ZFNB's Capital Markets/Investment Division under the direction of the Senior Investment Officer. The Senior Investment Officer is responsible for making any recommendations to existing funding plans, as well as to the policy guidelines. These recommendations must be submitted for approval to both ALCOM and the Company's Board of Directors. The subsidiary banks only have authority to price deposits, borrow from their FHLB and sell/purchase Federal Funds to/from ZFNB. The banks may also make liquidity and funding recommendations to the Senior Investment Officer, but are not involved in any other funding decision processes.

CONTRACTUAL OBLIGATIONS

The following table summarizes the company's contractual obligations at December 31, 2003:

<i>(Amounts in millions)</i>	One year or less	Over one year through three years	Over three years through five years	Over five years	Indeterminable maturity ¹	Total
Deposits	\$ 2,056	474	204	1	18,162	20,897
Commitments to extend credit	4,984	1,374	182	1,341		7,881
Commitments to purchase loans	50					50
Standby letters of credit:						
Performance	65	25				90
Financial	271	36	30	3		340
Commercial letters of credit	22	1		2		25
Commitments to make venture investments ²	26					26
Commitments to securitization structure ³	4,692					4,692
Commitments to purchase when-issued securities	45					45
Commitments to sell when-issued securities	(44)					(44)
Federal funds purchased and security repurchase agreements	2,212					2,212
Long-term debt, including capital lease obligations		391		1,221		1,612
Operating leases, net of subleases	31	55	46	139		271
	\$ 14,410	2,356	462	2,707	18,162	38,097

¹ Indeterminable maturity includes noninterest-bearing demand, savings and money market, and foreign deposits.

² Commitments to make venture investments do not have defined maturity dates. They have therefore been considered due on demand, maturing in one year or less.

³ The maximum size of the commitment to the securitization structure was \$5.1 billion at December 31, 2003, maturing in September 2004. We are currently in the process of increasing the allowed size of the structure to \$6.1 billion.

In addition to the commitments specifically noted in table above, in the ordinary course of business, the Company enters into a number of contractual commitments. These include software licensing and maintenance, telecommunications services, facilities maintenance and equipment servicing, supplies purchasing, and other goods and services used in the operation of our business. Generally, these contracts are renewable or cancelable at least annually, although in some cases to secure favorable pricing concessions, the Company has committed to contracts that may extend to several years.

LIQUIDITY MANAGEMENT

Liquidity is managed centrally for both the Parent and bank subsidiaries. The Parent's cash requirements consist primarily of debt service, operating expenses, income taxes, dividends to shareholders and share

repurchases. The Parent's cash needs are routinely met through dividends from its subsidiaries, investment income, subsidiaries' proportionate share of current income taxes, management and other fees, unaffiliated bank lines, and debt issuances.

During 2003, the Parent received \$296.9 million in dividends from various subsidiaries. At December 31, 2003, \$236.8 million of dividend capacity was available for subsidiaries to pay to the Parent without having to obtain regulatory approval. The dividend capacity is dependent on the continued profitability of the subsidiary banks and no significant changes in the current regulatory environment. While we have no current expectation that these two conditions will change, should a change take place to either in the future, this source of funding to the parent may become more limited or even unavailable. See Note 21 of the Notes to

Consolidated Financial Statements for details of dividend capacities and limitations.

For the year 2003, issuances of long-term debt exceeded repayments, resulting in cash inflows of \$893.4 million, partially offset by outflows of \$364.0 million. Specific debt-related activities for 2003 are as follows:

- In October 2003, the Company repaid \$50 million of its Senior Floating Rate Medium-Term Notes due in October 2004 and callable in 2003.
- In September 2003, the Company conducted a "modified Dutch auction" tender offer in which \$197.4 million of the Company's notes due in May and October 2011 were repurchased. We chose to repurchase these notes because, under their terms, they could not be effectively swapped for floating-rate contracts, which was needed for interest rate risk management purposes.
- In June 2003, the Company repaid \$110 million of subordinated notes that were callable in 2003. The notes were called because based on their maturity, they would no longer have fully qualified as Tier 2 capital.
- During the third quarter of 2002, the Company filed a shelf registration statement with the Securities and Exchange Commission for the issuance of up to \$340 million of Senior Medium-Term Notes, Series A and Subordinated Medium-Term Notes, Series B. As of December 31, 2003 the Company had outstanding \$240 million of Senior Medium-Term Notes under this registration statement. During the third quarter of 2003, the Company filed an additional registration statement increasing its aggregate capacity to \$1,050 million of senior or subordinated debt securities at fixed or floating rates. In September 2003, the Company issued \$500 million of 6.00% fixed rate Subordinated Notes due in September 2015 under this registration statement. The notes are not redeemable prior to maturity and require semi-annual interest payments and qualify as Tier 2 capital. The Company subsequently hedged these notes with LIBOR-based floating interest rate swaps. In November 2003, the Company issued

under this registration statement an additional \$150 million of 2.70% fixed rate Senior Notes due in May 2006. These notes were also hedged with LIBOR-based floating interest rate swaps. See Note 14 of the Notes to Consolidated Financial Statements for a complete summary of the Company's long-term borrowings.

The Parent also has a program to issue short-term commercial paper as a source of funding. At December 31, 2003, outstanding commercial paper was \$126.1 million. In addition, at December 31, 2003, the Parent had a revolving credit facility with a bank totaling \$40 million, which was unused at year-end 2003. On a consolidated basis, short-term borrowings added an additional \$624.7 million to cash flows for 2003, net of repayments.

Access to funding markets for the Parent and subsidiary banks is directly tied to the credit ratings that they receive from various rating agencies. The ratings not only influence the costs associated with the borrowings but can also influence the sources of the borrowings. The Parent had the following ratings as of December 31, 2003:

Rating agency	Outlook	Long-term issuer/ senior debt rating	Subordinated debt rating	Short-term/ commercial paper rating
S&P	Positive	BBB	BBB-	A-2
Moody's	Stable	A3	Baa1	Not Rated
Fitch	Stable	A-	BBB+	F1

Any downgrade in these ratings could negatively impact the Parent's ability to borrow, including higher costs of funds and access to fewer funding sources.

The subsidiaries' primary source of liquidity is their core deposits, consisting of demand, savings and money market deposits, time deposits under \$100,000 and foreign deposits. At December 31, 2003, these core deposits, in aggregate, constituted 94.1% of consolidated deposits, compared with 93.0% of consolidated deposits at December 31, 2002. For 2003, deposit increases resulted in net cash inflows of \$763.6 million. We believe that the growth that we have experienced

in this funding source may decline during 2004 as a result of anticipated reductions in deposit account balances, and may need to be replaced with alternative, and more expensive, sources such as Federal Funds and other borrowings.

The FHLB system is also a major source of liquidity for each of the Company's subsidiary banks. ZFNB and Commerce are members of the FHLB of Seattle. CB&T, NSB, and NBA are members of the FHLB of San Francisco. Vectra is a member of the FHLB of Topeka. The FHLB allows member banks to borrow against their eligible loans to satisfy liquidity requirements. During 2003, the subsidiary banks increased their funding from other sources and reduced their borrowings from the FHLB. For the year, repayments exceeded borrowings by \$0.8 million. Borrowings from the FHLB may increase in the future, depending on availability of funding from other sources such as deposits. However, the subsidiary banks must maintain their FHLB memberships to continue accessing this source of funding.

As explained earlier, the Company uses asset securitizations to sell loans, which also provide an alternative source of funding for the subsidiaries and enhance the flexibility in meeting funding needs. During 2003, loan sales (other than loans held for sale) provided \$1,116 million in cash inflows and we expect that securitizations will continue to be a tool that we are able to use for liquidity management purposes.

At year-end 2003, the Company managed approximately \$2.8 billion of securitized assets that were originated by its subsidiary banks. Of these, approximately \$1.5 billion were insured by a third party and held in Lockhart Funding, LLC, which is an important source of funding for the Company's loans. ZFNB provides a Liquidity Facility for a fee to Lockhart, which purchases floating-rate U.S. Government and AAA-rated securities with funds from the issuance of commercial paper. Pursuant to the Liquidity Facility, ZFNB is required to purchase securities from Lockhart to provide funds for it to repay maturing commercial paper upon its inability to access the commercial paper market, or upon a commercial paper market disruption, as specified in the governing

documents of Lockhart. At any given time, the maximum commitment of ZFNB is the lesser of the size of the liquidity facility commitment or the market value of Lockhart's securities portfolio. At December 31, 2003, the market value of Lockhart's securities portfolio was \$4.7 billion. No amounts were outstanding under this liquidity facility at either December 31, 2003 or 2002. Lockhart is currently limited in size by agreements with rating agencies and by a \$5.1 billion back-up liquidity facility from ZFNB. We are currently in the process of increasing the allowed size of Lockhart to \$6.1 billion. In addition, we are in the process of restructuring Lockhart so that it will not be consolidated onto Zions Bancorporation's balance sheet under FIN 46. While the Company believes that this can be done in a way that preserves most of the economic benefits of Lockhart, the FIN 46 rules are not yet final and, therefore, this cannot be assured at this time. Further discussion of Lockhart can be found in the section entitled "Off Balance Sheet Arrangements" on page 52 and in Note 6 of the Notes to Consolidated Financial Statements.

While not considered a primary source of funding, the Company's investment activities can also provide or use cash, depending on the asset-liability management posture that is being observed. For 2003, investment securities activities resulted in an increase in investment securities holdings and a net use of cash in the amount of \$1,141 million.

Maturing balances in the various loan portfolios also provide additional flexibility in managing cash flows. In most cases, however, loan growth has resulted in net cash outflows from a funding standpoint. For 2003, loan growth resulted in a net cash outflow of \$2,180 million. While loan growth has been modest over the past two years, we expect that loans will continue to be a use of funding rather than a source.

CAPITAL MANAGEMENT

The Company's basic financial objective is to consistently produce superior risk-adjusted returns on its shareholders' capital. We believe that a strong capital position is vital to continued profitability and to promoting depositor and investor confidence. Our goal is to steadily achieve a high return on shareholders' equi-

While at the same time maintaining "risk-based capital" above the "well capitalized" threshold, as defined by federal banking regulators. Specifically, it is the goal of Citicorp Bancorporation and each of the subsidiary banks to:

- Maintain sufficient capital, at not less than the "well capitalized" threshold, to support current needs and to ensure that capital is available to support anticipated growth;
- Consider the desirability of receiving an "investment grade" rating from major debt rating agencies on senior and subordinated unsecured debt when setting capital levels;
- Return excess capital to shareholders through dividends and repurchases of common stock.

See Note 21 of the Notes to Consolidated Financial Statements for additional information on risk-based capital.

Total shareholders' equity at December 31, 2003 was \$2,540 million, an increase of 7.0% over \$2,374 million at December 31, 2002. The Company's capital ratios were as follows at December 31, 2003 and 2002:

	December 31,	
	2003	2002
Tangible common equity ratio	6.53%	6.06%
Average common equity to average assets	8.75	8.90
Risk-based capital ratios:		
Tier 1 capital	8.06	7.56
Tier 2 capital	9.42	9.26
Total risk-based capital	13.52	12.94

The increase in the tangible common equity and risk-based capital ratios for 2003 was primarily the result of earnings for 2003, as well as the net increase in qualifying subordinated debt for total risk-based capital. As discussed earlier in the Executive Summary, the Company's capital ratios generally have increased steadily over the past five years. However, the Company believes that current capital levels are reasonable and further material increases are anticipated at this time.

The Company repurchased and retired 2,083,101 shares of its common stock at a total cost of \$106.8

million in 2003, 2,393,881 shares at a cost of \$113.2 million in 2002, and 883,240 shares at a cost of \$46.5 million in 2001. At December 31, 2003, the Company had authorization to repurchase an additional \$20.4 million of common stock under its share repurchase program. During its January 2004 meeting, the Board of Directors replaced the then existing repurchase program with a new one authorizing the repurchase of up to \$50 million of the Company's common stock.

Prior to the enactment of federal tax law changes early in 2003, capital gains tax rates were significantly lower than tax rates on ordinary income, including dividend income. As a consequence, the Company historically has maintained a lower dividend pay-out ratio, and returned more capital to shareholders in the form of share repurchases. However, in 2003 tax rates on both capital gains and dividends were reduced and equalized. Consequently, in the third quarter of 2003, the Company increased its quarterly per share dividend 43% from \$0.21 per share to the current rate of \$0.30 per share. Further adjustments to either or both the dividend level and share repurchase level will be contemplated if the Company continues to generate capital through earnings at a rate faster than its ability to profitably deploy it.

The U.S. federal bank regulatory agencies' risk-capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision (the "BIS"). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines that each country's supervisors can use to determine the supervisory policies they apply. In January 2001, the BIS released a proposal to replace the 1988 accord with a new capital accord that would set capital requirements for operational risk and materially change the existing capital requirements for credit risk and market risk exposures. Operational risk is defined by the proposal to mean the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The 1988 accord does not include separate capital requirements for operational risk.

The BIS has stated that its objective is to finalize a new capital accord for implementation by the member countries at year-end 2006. Since the accord is not yet final, the ultimate timing for implementation and the specifics of capital assessments for addressing operational risk are still uncertain. However, the Company expects that a new capital accord will eventually be adopted by the BIS and implemented by the U.S. federal bank regulatory agencies. The Company is evaluating what effect the new capital requirements that may arise out of a new BIS capital accord may have on its minimum capital requirements. U. S. banking regulators have stated that the approximately ten largest U.S. bank holding companies will be required to adopt the new standard, and that others may "opt in". The Company does not currently expect to be an early "opt in" bank and does not have in place the data collection and analytical capabilities necessary to adopt Basel II. However, it believes that competitive advantages afforded to banks that do adopt may make it necessary for the Company to adopt the new Basel II approach at some point, and it is currently investing in the required capabilities.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Notes to Consolidated Financial Statements contain a summary of the Company's significant accounting policies, including discussions on recently issued accounting pronouncements, the Company's adoption of them and the related impact of their adoption. We believe that certain of these policies, along with the various estimates that we are required to make in recording the financial transactions of the Company, are important to have a complete picture of the Company's financial condition. In addition, these estimates require us to make complex and subjective judgments, many of which include matters with a high degree of uncertainty. The following is a discussion of these critical accounting policies and significant estimates. We have also discussed each of these accounting policies and the related estimates with the Audit Committee of the Board of Directors. Additional information about these policies can be found in Note 1 of the Notes to Consolidated Financial Statements.

SECURITIZATION TRANSACTIONS

Securitization transactions involve periodic transfers of loans or other receivables to off-balance sheet Qualified Special Purpose Entities ("QSPEs"). The Company may retain a cash reserve account, an interest-only strip, or in some cases a subordinated tranche, all of which are considered to be retained interests in the securitized assets. Quoted market prices are generally not available to value the retained interests. As a result, we estimate the value of the retained interests based on the present value of future cash flows. The estimation of the value of the retained interests requires the Company to make assumptions that include:

- the anticipated method of prepayment;
- the annualized prepayment speed;
- the weighted average life of the loans in the securitization;
- forward yield curves;
- the expected annual net credit loss rate; and
- the discount rate for residual cash flows.

In addition to valuing the retained interests, a determination must be made as to whether the transfer of the assets constitutes a sale under generally accepted accounting principles. If it does, the assets are removed from the Company's Consolidated Balance Sheet with a gain or loss recognized. Otherwise, the transfer is considered a financing resulting in the recording of a liability on the Consolidated Balance Sheet. All of the Company's securitizations have been structured to meet the existing criteria for sale treatment.

Another determination that must be made is whether the special purpose entity should be considered a subsidiary of the Company and, as a result, included in its consolidated financial statements. If the entity's activities meet certain criteria, no consolidation is required. Since all of the Company's securitizations are considered to be QSPEs, they have met the criteria for non-consolidation.

See Schedule 9 on page 50 for details of amounts being serviced. Also see Notes 1 and 6 of the Notes to Consolidated Financial Statements for specific information regarding the Company's policies on valuation and impairment assessments on asset securitizations, detail on the assumptions used and the sensitivity of the fair value of retained interests to adverse changes in the assumptions.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses represents our estimate of the losses that are inherent in the loan and lease portfolios. In determining the appropriate level of the allowance, we are required to make numerous estimates. Volumes and trends of delinquencies, levels of nonaccruals, repossessions and bankruptcies, trends in criticized and classified loans, current and anticipated foreclosure losses, new products and policies, economic conditions and trends, concentrations of credit risk and experience and abilities of lending personnel are all part of making this determination. Changes in any of these estimates could have a direct impact on the allowance.

When we perform our review of the allowance, we generally arrive at a range that the allowance should fall within. This range results from equally likely scenarios being considered in our evaluations. As of December 31, 2003, our analyses indicated a range for the allowance of between \$209.4 million and \$279.7 million. The allowance for loan losses at December 31, 2003 was \$268.5 million, which is near the upper end of the range. We believe that this level is appropriate in light of the uncertainties in the economic environment.

For more information on the methodology used by the Company to determine the allowance for loan losses, a discussion of risks associated with the process, and additional information regarding the allowance and associated provision, see "Credit Risk Management" on page 52 and Notes 1 and 5 of the Notes to Consolidated Financial Statements.

NONMARKETABLE SECURITIES

The Company, both directly and through its banking subsidiaries and SBICs, has investments in venture capital securities. Since these nonmarketable venture capital securities have no readily ascertainable fair values, they are reported at amounts that we consider to be their estimated fair values. In determining the fair values of each investment, we believe that the investment's cost is initially the best indication of estimated fair value, provided that there have been no significant positive or negative developments subsequent to their acquisition that indicate the necessity of an adjust-

ment to the fair value estimate. If and when such an event takes place, we adjust the investment's cost by an amount that we believe reflects the nature of the event. In addition, any minority interests in the SBICs would reduce the Company's share of any gains or losses incurred on these investments.

As of December 31, 2003, the Company's equity exposure to the SBIC investments, net of minority interest and Small Business Administration debt, was approximately \$38.0 million. In addition, exposure to non-SBIC investments was approximately \$18.9 million.

The values that we have assigned to these securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Although we believe our estimates reasonably reflect the fair value of these securities, key assumptions regarding the projected financial performance of these companies, the evaluation of the investee company's management team, and other economic and market factors may not necessarily reflect those of an active market for these investments. If there had been an active market for these securities at year-end, the carrying value may have been significantly different than the amounts reported. See Note 1 of the Notes to Consolidated Financial Statements for additional information regarding these investments.

ACCOUNTING FOR GOODWILL

With the adoption of SFAS 142, we perform an annual impairment test of the Company's carrying value of goodwill. The first step in this process is to identify if a potential impairment exists and, if required from the results of this step, the second step measures the amount of any impairment loss. The computations required by step 1 and step 2 call for us to make a number of estimates and assumptions. In completing step 1, we determine the fair value of the reporting unit that is being evaluated, which includes projecting cash flows into the future and estimating a market value of the unit. Step 2 requires us to estimate the "implied fair value" of the reporting unit, which in essence, estimates the fair value of its individual assets and liabilities. Since estimates are an integral part of the impairment computations, changes in these estimates could have a

significant impact on any calculated impairment amount. See Notes 1 and 10 of the Notes to Consolidated Financial Statements for more details on the accounting for goodwill and other intangibles.

During 2003, approximately \$75.6 million in impairment losses were recorded relating to the goodwill associated with Vectra. In determining the fair value of Vectra, with the assistance of an independent valuation consultant, we considered value based on comparable publicly traded banks and comparable bank acquisitions (both in the western states) and discounted present value of management's estimates of future earnings. Critical assumptions included:

- Selection of the comparable publicly traded companies, based on location, size and business composition;
- Selection of the comparable bank acquisition transactions, based on location, size, business composition and date of the transaction;
- The discount rate applied to future earnings, based on an estimate of the cost of capital;
- Various assumptions made by management about the potential future earnings of Vectra;
- The relative weight given to the valuations derived by the three methods described.

In addition, in determining the impairment, an estimate had to be made of the fair market value of all of the tangible assets, identifiable intangible assets and liabilities of Vectra. Loans and deposits were marked-to-market using the standard software and assumptions used by Zions in its interest rate risk management processes. Larger occupied properties were appraised, while for smaller properties and furniture, fixtures and equipment, it was assumed that depreciated book value approximated fair market value.

ACCOUNTING FOR DERIVATIVES

We consider it prudent to use certain derivative instruments to add stability to the Company's interest income and expense, to modify the duration of specific assets and liabilities, and to manage the Company's exposure to interest rate movements. We do not, however, participate in speculative derivatives trading. We make estimates of the fair value of these derivative

instruments and generally use a methodology that is currently standard in the marketplace of netting discounted future cash receipts and cash payments. The estimated values of these derivatives will typically change over time as cash is received and cash is paid and also as market conditions change. As these changes take place, they may have a positive or negative impact on our estimated valuations.

We also face the risk that certain derivative instruments that we have designated as hedges and currently meet the strict hedge accounting requirements of SFAS 133, may not qualify in the future as "highly effective", as defined by the Statement. In addition, the instruments may not meet the additional requirements of SFAS 133 to be accounted for as hedges. Further, new interpretations and guidance related to SFAS 133 continue to be issued and we cannot predict the possible impact that they will have on our use of derivative instruments in the future. See "Interest Rate and Market Risk Management" on page 59 and Notes 1 and 7 of the Notes to Consolidated Financial Statements for further information about the Company's derivatives.

FORWARD-LOOKING INFORMATION

Statements in Management's Discussion and Analysis that are based on other than historical data are forward-looking, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events, including, among others:

- Statements with respect to the Company's beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance;
- Statements concerning the projected growth of the population of the states in which the Company has operations, higher rates of business formation and growth and commercial real estate resulting from the projected populations growth, growth in our loan portfolio and the economic recovery in general; and

- Statements preceded by, followed by or that include the words "may", "could", "should", "would", "believe", "anticipate", "estimate", "expect", "intend", "plan", or "projects" or similar expressions.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management's views as of any subsequent date. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, either expressed or implied, in Management's Discussion and Analysis. Factors that might cause such differences include, but are not limited to:

- the Company's ability to successfully execute its business plans;
changes in population growth or reductions in the rates at which different populations are expected to grow;
- changes in general economic and financial market conditions, either nationally or locally in areas in which the Company conducts its operations, including without limitation, reduced rates of business formation and growth and commercial real estate development;

- changes in interest rates;
- the timing of closing proposed acquisitions or divestitures being delayed or such acquisitions being prohibited;
- losses, customer bankruptcies, claims and assessments;
- continuing consolidation in the financial services industry;
- new litigation or changes in existing litigation;
- increased competitive pressures among financial institutions;
- political developments, war or other hostilities or acts of terrorism;
- legislation or regulatory changes which adversely affect the Company's operations or business; and
- changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.

The Company specifically disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Amounts in millions)	2003	2002	2001	2000	1999
Net interest income	\$ 1,095.5	1,035.1	949.8	803.4	741.5
Noninterest income	490.1	376.8	412.2	192.6	266.8
Total revenue	1,585.6	1,411.9	1,362.0	996.0	1,008.3
Provision for loan losses	69.9	71.9	73.2	31.8	18.0
Noninterest expense	893.9	858.9	836.1	721.3	681.8
Impairment loss on goodwill	75.6	-	-	-	-
Income from continuing operations before income taxes and minority interest	546.2	481.1	452.7	242.9	308.5
Income taxes	213.8	167.7	161.9	79.7	109.5
Minority interest	(7.2)	(3.7)	(7.8)	1.5	4.9
Income from continuing operations	339.6	317.1	298.6	161.7	194.1
Loss on discontinued operations	(1.8)	(28.4)	(8.4)	-	-
Income before cumulative effect adjustment	337.8	288.7	290.2	161.7	194.1
Cumulative effect adjustment	-	(32.4)	(7.2)	-	-
Net income	\$ 337.8	256.3	283.0	161.7	194.1
Net income per share (diluted)	\$ 3.72	2.78	3.07	1.86	2.26

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders of Zions Bancorporation

We have audited the accompanying consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zions Bancorporation and subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Notes 1 and 10 to the financial statements, effective January 1, 2002, Zions Bancorporation and subsidiaries adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*.

Ernst + Young LLP

Salt Lake City, Utah
January 27, 2004

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

(In thousands, except share amounts)

	2003	2002
ASSETS		
Cash and due from banks	\$ 1,119,351	1,087,296
Money market investments:		
Interest-bearing deposits	884	1,690
Federal funds sold	54,850	96,077
Security resell agreements	512,960	444,995
Investment securities:		
Available for sale, at market	4,437,793	3,304,341
Trading account, at market (includes \$211,943 and \$110,886 transferred as collateral under repurchase agreements)	380,224	331,610
	4,818,017	3,635,951
Loans:		
Loans held for sale	176,886	289,499
Loans, leases and other receivables	19,839,755	18,843,006
	20,016,641	19,132,505
Less:		
Unearned income and fees, net of related costs	96,280	92,662
Allowance for loan losses	268,506	279,593
Net loans	19,651,855	18,760,250
Other noninterest bearing investments	584,377	601,641
Premises and equipment, net	407,825	393,630
Goodwill	654,152	730,031
Core deposit and other intangibles	68,747	82,920
Other real estate owned	16,596	31,608
Other assets	666,624	699,600
	\$ 28,558,238	26,565,689
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 5,882,929	5,117,458
Interest-bearing:		
Savings and money market	12,044,499	11,654,258
Time under \$100,000	1,507,628	1,766,844
Time \$100,000 and over	1,227,113	1,402,189
Foreign	234,526	191,231
	20,896,695	20,131,980
Securities sold, not yet purchased	263,379	203,838
Federal funds purchased	1,370,619	819,807
Security repurchase agreements	841,170	861,177
Other liabilities	442,020	535,044
Commercial paper	126,144	291,566
Federal Home Loan Bank advances and other borrowings:		
One year or less	215,354	15,554
Over one year	231,440	240,698
Long-term debt	1,611,618	1,069,505
Total liabilities	25,998,439	24,169,169
Minority interest	19,776	22,677
Shareholders' equity:		
Capital stock:		
Preferred stock, without par value; authorized 3,000,000 shares; issued and outstanding, none	-	-
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 89,840,638 and 90,717,692 shares	985,904	1,034,888
Retained earnings	1,538,677	1,292,741
Accumulated other comprehensive income	19,041	46,214
Shares held in trust for deferred compensation, at cost	(3,599)	-
Total shareholders' equity	2,540,023	2,373,843
	\$ 28,558,238	26,565,689

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(In thousands, except per share amounts)

	2003	2002	2001
Interest income:			
Interest and fees on loans	\$ 1,178,767	1,227,358	1,292,955
Interest on loans held for sale	8,280	9,437	13,080
Lease financing	18,893	20,589	22,805
Interest on money market investments	13,011	18,625	34,879
Interest on securities:			
Held to maturity - taxable	-	2,292	3,361
Available for sale - taxable	126,592	128,622	169,224
Available for sale - nontaxable	29,205	26,889	24,713
Trading account	24,640	22,107	30,903
Total interest income	1,399,388	1,455,919	1,591,920
Interest expense:			
Interest on savings and money market deposits	111,616	164,594	251,570
Interest on time and foreign deposits	71,875	114,128	187,712
Interest on borrowed funds	120,403	142,055	202,874
Total interest expense	303,894	420,777	642,156
Net interest income	1,095,494	1,035,142	949,764
Provision for loan losses	69,940	71,879	73,191
Net interest income after provision for loan losses	1,025,554	963,263	876,573
Noninterest income:			
Service charges and fees on deposit accounts	129,846	118,994	101,033
Loan sales and servicing income	85,081	70,153	96,754
Other service charges, commissions and fees	88,919	81,175	72,996
Trust and investment management income	21,057	18,479	18,298
Income from securities conduit	29,421	20,317	12,262
Dividends and other investment income	28,508	35,469	28,299
Market making, trading and nonhedge derivative income	29,358	39,029	34,136
Equity securities gains (losses), net	63,807	(25,316)	37,239
Fixed income securities gains (losses), net	(17)	358	(3,781)
Other	14,115	18,156	14,952
Total noninterest income	490,095	376,814	412,188
Noninterest expense:			
Salaries and employee benefits	491,563	478,028	432,937
Occupancy, net	70,986	68,627	63,600
Furniture and equipment	65,462	63,429	60,830
Legal and professional services	26,039	25,347	30,532
Postage and supplies	25,805	27,582	27,753
Advertising	18,212	20,577	22,344
Debt extinguishment cost	24,210	-	-
Impairment losses on long-lived assets	2,652	4,942	-
Restructuring charges	1,872	3,349	-
Merger related expense	-	-	7,348
Amortization of core deposit and other intangibles	14,190	13,379	12,770
Amortization of goodwill	-	-	31,526
Other	152,871	153,668	146,453
Total noninterest expense	893,862	858,928	836,093
Impairment loss on goodwill	75,628	-	-
Income from continuing operations before income taxes and minority interest	546,159	481,149	452,668
Income taxes	213,751	167,702	161,867
Minority interest	(7,185)	(3,660)	(7,798)
Income from continuing operations	339,593	317,107	298,599

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(In thousands, except per share amounts)

	2003	2002	2001
Discontinued operations:			
Loss from operations of discontinued subsidiaries	\$ (466)	(18,304)	(12,487)
Impairment losses and loss on sale	(2,407)	(28,691)	-
Income tax benefit	(1,103)	(18,535)	(4,067)
Loss on discontinued operations	(1,770)	(28,460)	(8,420)
Income before cumulative effect of change in accounting principle	337,823	288,647	290,179
Cumulative effect of change in accounting principle, net of tax	-	(32,369)	(7,159)
Net income	\$ 337,823	256,278	283,020
Weighted average shares outstanding during the year:			
Basic shares	90,048	91,566	91,202
Diluted shares	90,734	92,079	92,174
Net income per common share:			
Basic:			
Income from continuing operations	\$ 3.77	3.46	3.27
Loss on discontinued operations	(0.02)	(0.31)	(0.09)
Cumulative effect of change in accounting principle	-	(0.35)	(0.08)
Net income	\$ 3.75	2.80	3.10
Diluted:			
Income from continuing operations	\$ 3.74	3.44	3.24
Loss on discontinued operations	(0.02)	(0.31)	(0.09)
Cumulative effect of change in accounting principle	-	(0.35)	(0.08)
Net income	\$ 3.72	2.78	3.07

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(In thousands, except share amounts)	Common stock		Retained earnings	Accumulated other comprehensive income (loss)			Subtotal	Shares held in trust for deferred compensation	Total shareholders' equity
	Shares	Amount		Net unrealized gains (losses) on investments and retained interests	Net unrealized gains (losses) on derivative instruments	Minimum pension liability			
BALANCE, DECEMBER 31, 2000	87,100,188	\$ 907,604	874,884	(3,644)	-	-	(3,644)	-	1,778,844
Comprehensive income:									
Net income			283,020						283,020
Other comprehensive income, net of tax:									
Net realized and unrealized holding gains during the year, net of income tax expense of \$20,859				33,675	-	-	33,675		
Reclassification for net realized gains recorded in operations, net of income tax expense of \$7,132				(11,516)	-	-	(11,516)		
Net unrealized gains on derivative instruments, net of reclassification to operations of \$20,757 and income tax expense of \$4,281				-	6,911	-	6,911		
Cumulative effect of change in accounting principle, adoption of SFAS 133, net of income tax expense of \$21,245				13,259	21,266	-	34,525		
Other comprehensive income				35,418	28,177	-	63,595		63,595
Total comprehensive income									346,615
Stock redeemed and retired	(883,240)	(46,462)							(46,462)
Stock options exercised, net of shares tendered and retired	586,916	18,777							18,777
Issuance of common shares for acquisitions	5,404,872	231,295	25,699						256,994
Cash dividends—common, \$.80 per share			(73,899)						(73,899)
BALANCE, DECEMBER 31, 2001	92,208,736	1,111,214	1,109,704	31,774	28,177	-	59,951	-	2,280,869
Comprehensive income:									
Net income			256,278						256,278
Other comprehensive income, net of tax:									
Net realized and unrealized holding losses during the year, net of income tax benefit of \$1,880				(3,035)	-	-	(3,035)		
Reclassification for net realized losses recorded in operations, net of income tax benefit of \$9,546				15,412	-	-	15,412		
Net unrealized losses on derivative instruments, net of reclassification to operations of \$34,916 and income tax benefit of \$1,708				-	(2,757)	-	(2,757)		
Minimum pension liability, net of income tax benefit of \$15,128				-	-	(23,357)	(23,357)		
Other comprehensive income (loss)				12,377	(2,757)	(23,357)	(13,737)		(13,737)
Total comprehensive income									242,541
Stock redeemed and retired	(2,393,881)	(113,215)							(113,215)
Stock options exercised, net of shares tendered and retired	569,579	19,841							19,841
Issuance of common shares for acquisitions	333,258	17,048							17,048
Cash dividends—common, \$.80 per share			(73,241)						(73,241)
BALANCE, DECEMBER 31, 2002	90,717,692	1,034,888	1,292,741	44,151	25,420	(23,357)	46,214	-	2,373,843

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (CONTINUED)

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(In thousands, except share amounts)	Common stock		Retained earnings	Accumulated other comprehensive income (loss)			Subtotal	Shares held in trust for deferred compensation	Total shareholders' equity
	Shares	Amount		Net unrealized gains (losses) on investments and retained interests	Net unrealized gains (losses) on derivative instruments	Minimum pension liability			
Comprehensive income:									
Net income		\$	337,823						337,823
Other comprehensive income, net of tax:									
Net realized and unrealized holding losses during the year, net of income tax benefit of \$3,225				(5,207)	-	-	(5,207)		
Reclassification for net realized gains recorded in operations, net of income tax expense of \$9,248				(14,929)	-	-	(14,929)		
Net unrealized losses on derivative instruments, net of reclassification to operations of \$42,990 and income tax benefit of \$9,312				-	(14,704)	-	(14,704)		
Minimum pension liability, net of income tax expense of \$4,965				-	-	7,667	7,667		
Other comprehensive income (loss)				(20,136)	(14,704)	7,667	(27,173)		(27,173)
Total comprehensive income									310,650
Stock redeemed and retired	(2,083,101)	(108,844)							(108,844)
Stock options exercised, net of shares tendered and retired	1,206,047	57,860							57,860
Cash dividends—common, \$1.02 per share			(91,887)						(91,887)
Cost of shares held in trust for deferred compensation								(3,599)	(3,599)
BALANCE, DECEMBER 31, 2003	89,840,638	\$ 985,904	1,538,677	24,015	10,716	(15,690)	19,041	(3,599)	2,540,023

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

<i>(In thousands)</i>	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 337,823	256,278	283,020
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle, net of tax	-	32,369	7,159
Impairment losses on goodwill, other intangibles and long-lived assets	78,280	33,633	-
Debt extinguishment cost	24,210	-	-
Provision for loan losses	69,940	71,879	73,191
Depreciation of premises and equipment	59,799	59,131	56,076
Amortization	34,737	37,906	63,538
Loss to minority interest	(7,185)	(3,660)	(7,798)
Equity securities losses (gains), net	(63,807)	25,316	(37,239)
Fixed income securities losses (gains), net	17	(358)	3,781
Net decrease (increase) in trading account securities	(48,614)	(228,714)	611,711
Proceeds from sales of loans held for sale	621,251	566,643	609,576
Additions to loans held for sale	(490,537)	(558,183)	(726,376)
Net gains on sales of loans, leases and other assets	(66,993)	(38,530)	(69,702)
Net increase in cash surrender value of bank owned life insurance	(18,978)	(18,903)	(16,590)
Undistributed earnings of affiliates	(7,007)	(13,702)	(9,426)
Change in accrued income taxes	(45,892)	27,565	20,911
Change in accrued interest receivable	(10,819)	37,608	(1,329)
Change in other assets	29,858	(164,256)	(73,421)
Change in other liabilities	(67,189)	87,918	46,758
Change in accrued interest payable	2,232	(5,660)	(12,475)
Other, net	9,061	(1,570)	27,073
Net cash provided by operating activities	440,187	202,710	848,438
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in money market investments	(26,910)	(250,759)	377,387
Proceeds from maturities of investment securities held to maturity	-	1,415	12,964
Purchases of investment securities held to maturity	-	(29,400)	(29,347)
Proceeds from sales of investment securities available for sale	5,927,160	10,081,114	7,072,531
Proceeds from maturities of investment securities available for sale	1,083,462	1,860,299	2,591,160
Purchases of investment securities available for sale	(8,151,363)	(11,830,782)	(9,067,706)
Proceeds from sales of loans and leases	1,115,907	1,380,430	1,753,195
Securitized loans repurchased	(22,396)	(430,164)	-
Net increase in loans and leases	(2,157,123)	(2,679,817)	(3,250,280)
Proceeds from sales of other noninterest bearing investments	116,918	83,756	-
Payments on leveraged leases	(9,118)	(9,160)	(8,012)
Principal collections on leveraged leases	9,118	9,160	8,012
Proceeds from sales of premises and equipment	4,672	10,037	13,056
Purchases of premises and equipment	(83,272)	(97,821)	(91,924)
Proceeds from sales of other assets	50,585	21,683	23,431
Cash paid to reacquire minority interest	-	-	(66,044)
Net cash received from acquisitions	-	9,690	209,509
Net cash paid for net liabilities on branches sold	-	(68,352)	-
Net cash used in investing activities	(2,142,360)	(1,938,671)	(452,068)

IONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(in thousands)

CASH FLOWS FROM FINANCING ACTIVITIES:

	2003	2002	2001
Net increase in deposits	\$ 763,633	2,285,152	747,218
Net change in short-term funds borrowed	624,724	(523,316)	(1,511,725)
Proceeds from FHLB advances and other borrowings over one year	3,141	3,250	250,000
Payments on FHLB advances and other borrowings over one year	(12,399)	(3,010)	(173,948)
Proceeds from issuance of long-term debt	893,395	331,138	402,218
Debt issuance costs	(4,019)	(10,401)	(5,061)
Payments on long-term debt	(363,995)	(68,616)	(69,152)
Debt extinguishment cost	(24,210)	-	-
Proceeds from issuance of common stock	52,689	16,907	15,798
Payments to redeem common stock	(106,844)	(113,215)	(46,462)
Dividends paid	(91,887)	(73,241)	(73,899)
Net cash provided by (used in) financing activities	1,734,228	1,844,648	(465,013)
Decrease (decrease) in cash and due from banks	32,055	108,687	(68,643)
Cash and due from banks at beginning of year	1,087,296	978,609	1,047,252
Cash and due from banks at end of year	\$ 1,119,351	1,087,296	978,609

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for:

Interest	\$ 313,673	424,735	651,083
Income taxes	245,698	113,349	156,307
Loans transferred to other real estate owned	40,692	43,987	23,175

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

Zions Bancorporation ("the Parent") is a financial holding company headquartered in Salt Lake City, Utah, which provides a full range of banking and related services through its subsidiaries operating primarily in Utah, Idaho, California, Nevada, Arizona, Colorado and Washington.

BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of Zions Bancorporation and its majority-owned subsidiaries ("the Company," "we," "our," "us"). Unconsolidated investments in which there is a greater than 20% ownership are accounted for by the equity method of accounting; those in which there is less than 20% ownership are generally carried at cost. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation. The Financial Accounting Standards Board ("FASB") has issued Interpretation No. 46, ("FIN 46"), *Consolidation of Variable Interest Entities*. FIN 46 requires consolidation of a variable interest entity ("VIE") when a company is the primary beneficiary of the VIE. See Note 8 for further discussion.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and prevailing practices within the financial services industry. In preparing the consolidated financial statements, we are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

SECURITY RESELL AGREEMENTS

Security resell agreements represent overnight and term agreements, the majority maturing within 30 days.

These agreements are generally treated as collateralized financing transactions and are carried at amounts at which the securities were acquired plus accrued interest. Either the Company or, in some instances, third parties on our behalf take possession of the underlying securities. The market value of such securities is monitored throughout the contract term to ensure that asset values remain sufficient to protect counterparty default. We are permitted by contract to sell or repledge certain securities that we accept as collateral for security resell agreements. If sold, our obligation to return the collateral is recorded as a liability and included in the balance sheet as securities sold, not yet purchased. As of December 31, 2003, we held approximately \$513 million of securities for which we were permitted by contract to sell or repledge. The majority of these securities have been either pledged or otherwise transferred to others in connection with our financing activities, or to satisfy our commitments under short sales. Security resell agreements averaged approximately \$1.2 billion during 2003, and the maximum amount outstanding at any month-end during 2003 was \$1.8 billion.

INVESTMENT SECURITIES

We classify our investment securities according to their purpose and holding period. Gains or losses on the sale of securities are recognized using the specific identification method and recorded in noninterest income.

Debt securities held for investment and marketable equity securities not accounted for under the equity method of accounting are classified as available for sale and are recorded at fair value. Unrealized gains and losses, after applicable taxes, are recorded as a component of other comprehensive income. Any declines in the value of debt securities and marketable equity securities that are considered other than temporary are recorded in noninterest income. The review for other-than-temporary declines takes into account current market conditions, offering prices, trends and volatility of earnings, current analysts' evaluations, and other key measures.

Securities acquired for short-term appreciation or other trading purposes are classified as trading securities and are recorded at fair value. Realized and unrealized gains and losses resulting from such fair value adjustments and from recording the results of sales are recorded in trading income.

The market values of available for sale and trading securities are generally based on quoted market prices or dealer quotes. If a quoted market price is not available, market value is estimated using quoted market prices for similar securities.

LOANS

Loans are reported at the principal amount outstanding, net of unearned income. Unearned income, which includes deferred fees net of deferred direct incremental loan origination costs, is amortized to interest income generally over the life of the loan using the interest method.

Loans held for sale are carried at the lower of aggregate cost or market value. Gains and losses are recorded in noninterest income, based on the difference between sales proceeds and carrying value.

NONACCRUAL LOANS

Loans are generally placed on a nonaccrual status when principal or interest is past due 90 days or more unless the loan is both well secured and in the process of collection or when, in the opinion of management, full collection of principal or interest is unlikely. Generally, consumer loans are not placed on nonaccrual status inasmuch as they are normally charged off when they become 120 days past due. A loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement or when the loan is both well secured and in the process of collection.

IMPAIRED LOANS

Loans, other than those included in large groups of smaller-balance homogeneous loans, are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. For a

loan that has been restructured, the contractual terms of the loan agreement refer to the contractual terms specified by the original loan agreement, not the contractual terms specified by the restructuring agreement.

The assessment for impairment occurs when and while such loans are on nonaccrual. When a loan has been identified as being impaired, the amount of impairment will be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, when appropriate, the loan's observable market value or the fair value of the collateral (less any selling costs) if the loan is collateral-dependent.

If the measurement of the impaired loan is less than the recorded investment in the loan (including accrued interest, net of deferred loan fees or costs and unamortized premium or discount), an impairment is recognized by creating or adjusting an existing allocation of the allowance for loan losses.

RESTRUCTURED LOANS

In cases where a borrower experiences financial difficulty and we make certain concessionary modifications to contractual terms, the loan is classified as a restructured (accruing) loan. Loans restructured at a rate equal to or greater than that of a new loan with comparable risk at the time the contract is modified may be excluded from the impairment assessment and may cease to be considered impaired loans in the calendar years subsequent to the restructuring if they are not impaired based on the modified terms.

Generally, a nonaccrual loan that is restructured remains on nonaccrual for a period of six months to demonstrate that the borrower can meet the restructured terms. However, performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan.

ALLOWANCE FOR LOAN LOSSES

In analyzing the adequacy of the allowance for loan and lease losses, we utilize a comprehensive loan grading system to determine risk potential in the portfolio and consider the results of independent internal credit reviews. To determine the adequacy of the allowance, our loan and lease portfolio is broken into segments based on loan type. Historical loss-experience factors by segment, adjusted for changes in trends and conditions, are used in determining the required allowance for each segment. Historical loss factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific portfolio segment. Other considerations such as volumes and trends of delinquencies, nonaccruals, repossessions and bankruptcies, criticized and classified loan trends, current and anticipated foreclosure losses, new products and policies, economic conditions, and concentrations of credit risk are also considered in establishing the loan loss factors.

All loans graded substandard or doubtful in the amount of \$500 thousand or more are individually evaluated based on facts and circumstances of the loan and a specific allowance amount may be designated. Specific allowances may also be established for loans in amounts below the specific thresholds when it is determined that the risk differs significantly from factor amounts established for the category.

After a preliminary allowance for credit losses has been established for the loan portfolio segments, we perform an additional review of the adequacy of the allowance based on the loan portfolio in its entirety. This enables us to mitigate the imprecision inherent in most estimates of expected credit losses and also supplement the allowance. This supplemental portion of the allowance includes our judgmental consideration of any additional amounts necessary for subjective factors such as economic uncertainties and excess concentration risks.

NONMARKETABLE SECURITIES

Nonmarketable securities are included in other noninterest bearing investments on the balance sheet. These securities include certain venture capital

securities and securities acquired for various debt and regulatory requirements. Nonmarketable venture capital securities are reported at estimated fair values, in the absence of readily ascertainable market values. Changes in fair value and gains and losses from sales are recognized in noninterest income. The values assigned to the securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Such estimated amounts depend on future circumstances and will not be realized until the individual securities are liquidated. The valuation procedures applied include consideration of economic and market conditions, current and projected financial performance of the investee company, and the investee company's management team. We believe that the cost of an investment is initially the best indication of estimated fair value unless there have been significant subsequent positive or negative developments that justify an adjustment in the fair value estimate. Other nonmarketable securities acquired for various debt and regulatory requirements are accounted for at cost.

ASSET SECURITIZATIONS

When we sell receivables in securitizations of home equity loans and small business loans, we may retain a cash reserve account, an interest-only strip, and in some cases a subordinated tranche, all of which are retained interests in the securitized receivables. Gain or loss on sale of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. Quoted market prices are generally not available for retained interests. To obtain fair values, we estimate the present value of future expected cash flows using our best judgment of key assumptions, including credit losses, prepayment speeds and methods, forward yield curves, and discount rates commensurate with the risks involved. Retained interests are included in other assets in the balance sheet.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation,

computed primarily on the straight-line method, is charged to operations over the estimated useful lives of the properties, generally from 25 to 40 years for buildings and 3 to 10 years for furniture and equipment. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever are shorter.

GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Goodwill results from acquisitions we have made and represents the excess of the purchase price over the fair value of net assets and other identifiable intangible assets acquired. Beginning in January 2002, we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, issued by the FASB. As a result, we no longer amortize goodwill and intangible assets deemed to have indefinite lives. Such assets are now subject to annual specified impairment tests. Prior to the adoption of SFAS 142, substantially all of our goodwill was amortized using the straight-line method over 25 years. Core deposit assets and other intangibles are generally amortized on an accelerated basis using an estimated useful life of up to 10 years.

DERIVATIVE INSTRUMENTS

We use derivative instruments including interest rate swaps and basis swaps as part of our overall asset and liability duration and interest rate risk management strategy. These instruments enable us to manage desired asset and liability duration and to reduce interest rate exposure by matching estimated repricing periods of interest-sensitive assets and liabilities. We also enter into foreign exchange derivative transactions primarily as an accommodation to our customers. As required by SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, we record all derivatives at fair value in the balance sheet as either other assets or other liabilities. See further discussion in Note 7.

COMMITMENTS AND LETTERS OF CREDIT

In the ordinary course of business, we enter into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements

when they become payable. The credit risk associated with these commitments, when indistinguishable from the underlying funded loan, is considered in our determination of the allowance for loan losses. As of December 31, 2003, we reclassified to other liabilities the portion of the allowance that related to undrawn commitments to extend credit.

STOCK-BASED COMPENSATION

The following disclosures are required by SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*. This Statement provides guidance to transition from the intrinsic value method of accounting for stock-based compensation under Accounting Principles Board Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees*, to the fair value method of accounting under SFAS No. 123, *Accounting for Stock-Based Compensation*. At December 31, 2003, we had two stock-based employee compensation plans and a non-employee director stock-based compensation plan, which are described more fully in Note 19. We continue to account for our stock-based compensation plans under APB 25 and have not recorded any compensation expense, as the exercise price of the stock options was equal to the quoted market price of the stock on the date of grant.

The impact on net income and net income per common share if we had applied the provisions of SFAS 123 to stock-based employee compensation is as follows (*in thousands, except per share amounts*):

	2003	2002	2001
Net income, as reported	\$ 337,823	256,278	283,020
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(15,395)	(17,225)	(16,982)
Pro forma net income	\$ 322,428	239,053	266,038
Net income per common share:			
Basic - as reported	\$ 3.75	2.80	3.10
Basic - pro forma	3.58	2.61	2.92
Diluted - as reported	3.72	2.78	3.07
Diluted - pro forma	3.55	2.60	2.89

The fair values of stock options granted were estimated at the date of grant using a Black-Scholes option-pricing model. The following table summarizes the weighted average of fair value and the assumptions used in applying the Black-Scholes option-pricing model to compute the estimated impact of employee compensation costs on net income and net income per share for options granted:

	2003	2002	2001
Weighted average of fair value for options granted	\$ 9.05	11.54	14.89
Weighted average assumptions used:			
Expected dividend yield	1.9%	1.8%	1.5%
Expected volatility	28.0%	26.5%	32.6%
Risk-free interest rate	2.38%	3.77%	4.44%
Expected life (in years)	3.8	3.8	3.9

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

NET INCOME PER COMMON SHARE

Diluted net income per common share is based on the weighted average outstanding common shares during each year, including common stock equivalents. Basic net income per common share is based on the weighted average outstanding common shares during each year.

2. OTHER RECENT ACCOUNTING PRONOUNCEMENTS

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS 150 affects the issuer's accounting for certain freestanding financial instruments that have both debt and equity characteristics. Generally, it must be applied for interim

financial reporting periods beginning after June 2003. This Statement has not had a material impact on our financial position or results of operations.

In October 2002, the FASB issued SFAS No. *Acquisition of Certain Financial Institutions*. SFAS amends previous accounting guidance which requires certain acquisitions of financial institutions where the fair market value of liabilities assumed was greater than the fair value of the tangible assets and identifiable intangible assets acquired to recognize and account for the excess as an unidentifiable intangible asset. Under the former guidance, this unidentifiable intangible asset was to be amortized over a period not greater than the life of the long-term interest bearing asset acquired. Under SFAS 147, this excess, if acquired in a business combination, represents goodwill that should be accounted for in accordance with SFAS 141. In addition, SFAS 147 amends SFAS 144 to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor and borrower relationship intangible assets and credit relationship intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition measurement provisions that SFAS 144 requires. We do not expect SFAS 147 to have a material impact on our financial position or results of operations.

Additional recent accounting pronouncements discussed throughout the Notes to Consolidated Financial Statements.

3. MERGERS AND ACQUISITIONS ACTIVITY

We adopted SFAS No. 141, *Business Combinations*, for business combinations completed after June 30, 2001. SFAS 141 supersedes certain previous accounting guidance on business combinations, and eliminates the pooling of interests method of accounting. Although not significant to our results of operations, financial position, or liquidity, either individually or in aggregate, we made the following acquisitions in 2002 and in 2001 subsequent to June 30, 2001; we did not make any acquisitions in 2003:

In November 2002, we acquired Frontier State Bank ("Frontier"), Show Low, Arizona, for 204 thousand shares of our common stock, valued at approximately \$10.9 million based on the terms of the acquisition. Frontier had assets of approximately \$94.4 million, total deposits of approximately \$88.0 million, and six banking offices. Frontier was merged with and into our subsidiary, National Bank of Arizona. Goodwill amounted to approximately \$3.9 million.

In November 2001, we acquired Minnequa Bancorp ("Minnequa"), Pueblo, Colorado, and its banking subsidiary, Minnequa Bank of Pueblo, for \$43.6 million, consisting of \$19.6 million cash and approximately 508 thousand shares of our common stock. Minnequa had assets of approximately \$336 million, total deposits of approximately \$314 million, and five banking offices.

Minnequa Bank of Pueblo was merged with and into our subsidiary, Vectra Bank Colorado. Goodwill amounted to approximately \$21.8 million.

In July 2001, we acquired Internet Commerce Express, Inc., Nashua, New Hampshire; ThinkXML, Inc., Rockville, Maryland; and Frontier Technologies Corporation (asset purchase only), Mequon, Wisconsin. Consideration of \$55.0 million consisted of \$48.5 million cash and approximately 100 thousand shares of our common stock. Goodwill amounted to approximately \$35.8 million. These companies provided e-commerce solutions. They were subsequently merged into Internet Commerce Express, Inc., and in October 2001 the company was changed to Lexign, Inc. In September 2003, we sold Lexign, Inc., as discussed in Note 16.

Prior to July 1, 2001, we made the following acquisitions:

In April 2001, we acquired, in a purchase transaction, the Arizona operations of Pacific Century Bank, a subsidiary of Pacific Century Financial Corporation. These operations were merged with and into our subsidiary, National Bank of Arizona. We purchased approximately \$231 million in loans, assumed approximately \$447 million in deposits, acquired branch facilities with accompanying personnel, and received cash to satisfy assumed deposits. Goodwill and core deposit intangibles amounted to approximately \$48.3 million.

On March 30, 2001, we acquired Eldorado Bancshares, Inc. ("Eldorado"), based in Laguna Hills, California, and its banking subsidiaries, Eldorado Bank and Antelope Valley Bank. Consideration consisted of 3.3 million shares of our common stock. Eldorado had assets of approximately \$1.3 billion and shareholders' equity of approximately \$128 million. Eldorado Bank and Antelope Valley Bank were merged with and into our subsidiary, California Bank & Trust. The acquisition was accounted for as a purchase, and accordingly, our financial statements reflect combined operations from the date of acquisition. Goodwill amounted to approximately \$105.7 million. The pro forma effect on prior period results of operations was not significant.

In January 2001, we acquired Draper Bancorp, based in Draper, Utah, and its banking subsidiary, Draper Bank, in exchange for approximately 1.4 million shares of our common stock. Draper Bancorp had assets of approximately \$242 million and shareholders' equity of approximately \$26 million. Draper Bank was merged with and into our subsidiary, Zions First National Bank. The acquisition was accounted for as a pooling of interests and was not considered material to our historical results. Accordingly, our financial statements were not restated to reflect the pooling of interests.

4. INVESTMENT SECURITIES

Investment securities as of December 31, 2003 are summarized as follows (*in thousands*):

	Available for sale			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
U.S. Treasury securities	\$ 41,645	1,620	1	43,264
U.S. government agencies and corporations:				
Small Business Administration loan-backed securities	737,564	5,575	2,232	740,907
Other agency securities	240,805	1,785	997	241,593
Municipal securities	715,486	9,547	7,164	717,869
Mortgage/asset-backed and other debt securities	2,351,002	25,142	7,921	2,368,223
	4,086,502	43,669	18,315	4,111,856
Other securities:				
Mutual funds	317,831	678	67	318,442
Stock	8,264	1,489	2,258	7,495
	\$ 4,412,597	45,836	20,640	4,437,793

Investment securities as of December 31, 2002 are summarized as follows (*in thousands*):

	Available for sale			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
U.S. Treasury securities	\$ 44,388	2,532	5	46,915
U.S. government agencies and corporations:				
Small Business Administration loan-backed securities	752,139	4,877	1,245	755,771
Other agency securities	299,445	3,391	970	301,866
Municipal securities	639,607	8,642	2,580	645,669
Mortgage/asset-backed and other debt securities	1,186,623	25,031	3,523	1,208,131
	2,922,202	44,473	8,323	2,958,352
Other securities:				
Mutual funds	317,309	3,351	94	320,566
Stock	14,651	12,255	1,483	25,423
	\$ 3,254,162	60,079	9,900	3,304,341

The amortized cost and estimated market value of investment securities as of December 31, 2003 by contractual maturity, excluding other securities, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (*in thousands*):

	Available for sale	
	Amortized cost	Estimated market value
Due in one year or less	\$ 443,807	447,156
Due after one year through five years	881,879	891,801
Due after five years through ten years	495,398	506,921
Due after ten years	2,265,418	2,265,978
	\$ 4,086,502	4,111,856

For investment securities with unrealized losses at December 31, 2003, the following is a summary of the number of investment securities, the amount of gross unrealized losses, and the estimated market value by length of time that the securities have been in an unrealized loss position (*in thousands, except number of investment securities*):

	Less than 12 months			12 months or more			Total		
	Number of investment securities	Gross unrealized losses	Estimated market value	Number of investment securities	Gross unrealized losses	Estimated market value	Number of investment securities	Gross unrealized losses	Estimated market value
U.S. Treasury securities	3	\$ 1	10,994	-	\$ -	-	3	\$ 1	10,994
U.S. government agencies and corporations:									
Small Business Administration									
loan-backed securities	23	1,309	122,486	141	924	126,750	164	2,233	249,236
Other agency securities	24	851	80,655	7	145	7,560	31	996	88,215
Municipal securities	495	5,703	130,977	116	1,461	22,103	611	7,164	153,080
Mortgage/asset-backed and other debt securities	41	7,906	561,987	8	15	1,535	49	7,921	563,522
	586	15,770	907,099	272	2,545	157,948	858	18,315	1,065,047
Other securities:									
Mutual funds	2	51	10,077	3	16	288	5	67	10,365
Stock	2	1,232	1,186	3	1,026	2,128	5	2,258	3,314
	590	\$ 17,053	918,362	278	\$ 3,587	160,364	868	\$ 20,640	1,078,726

Unrealized losses on fixed income securities result from the current market yield on securities being higher than the book yield on the securities in the portfolio and/or a credit deterioration of the obligor. Based on past experience with these types of investments and our own financial performance, we have the ability and intent to hold these investments to maturity or until fair value recovers above cost. Unrealized losses on other securities, including stock, result from poor financial performance and adverse market valuations. We review these investments on an ongoing basis according to our policy described in Note 1. While our review did not result in an other-than-temporary impairment adjustment as of December 31, 2003, we will continue to review these investments for possible adjustment in the future.

Gross gains and losses from investment securities of \$25.3 million and \$1.2 million in 2003, \$4.6 million and \$0.9 million in 2002, and \$11.1 million and \$8.8 million in 2001, respectively, were recognized in equity and fixed income securities gains (losses) in the statement of income.

Net gains (losses) from securities held by our venture capital subsidiaries and included in equity securities

gains (losses) were \$(23.6) million in 2003, \$(18.4) million in 2002, and \$(39.6) million in 2001. Consolidated net income includes losses, net of income taxes and minority interest, of approximately \$12.3 million in 2003, \$11.4 million in 2002, and \$20.3 million in 2001, from our venture capital subsidiaries. Nonmarketable securities held by our venture capital subsidiaries are included in other noninterest bearing investments in the balance sheet. The carrying value of these securities at December 31, 2003 and 2002 was \$63.7 million and \$69.7 million, respectively.

In 2003, gross gains of \$70.3 million and gross losses of \$7.0 million were recognized from sales and write-downs of other equity investments included in noninterest bearing investments. Included in the gross gains is \$68.5 million we recognized from the sale of our investment in ICAP plc. In 2002, we recognized a loss of \$10.3 million from the write-down of a minority interest in an investment banking firm. In 2001, we recognized gains of \$70.8 million from the sale of our investment in Concord EFS, Inc. These gains and losses were also included in equity securities gains (losses) in their respective years.

As of December 31, 2003 and 2002, securities with an amortized cost of \$1.76 billion and \$1.59 billion,

respectively, were pledged to secure public and trust deposits, advances, and for other purposes as required by law. As described in Note 12, securities are also pledged as collateral for security repurchase agreements.

5. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are summarized as follows at December 31 (*in thousands*):

	2003	2002
Loans held for sale	\$ 178,886	289,499
Commercial lending:		
Commercial and industrial	4,111,233	4,123,558
Leasing	376,775	384,271
Owner occupied	3,295,224	3,017,475
Total commercial lending	7,783,232	7,525,304
Commercial real estate:		
Construction	2,866,393	2,946,887
Term	3,426,208	3,175,366
Total commercial real estate	6,292,601	6,122,253
Consumer:		
Home equity credit line	838,495	650,770
1-4 family residential	3,873,688	3,208,953
Bankcard and other revolving plans	197,857	204,714
Other	749,175	999,906
Total consumer	5,659,215	5,064,343
Foreign loans	14,717	5,241
Other receivables	89,990	125,865
Total loans	\$ 20,016,641	19,132,505

As of December 31, 2003 and 2002, loans with a carrying value of \$1.9 billion and \$1.7 billion, respectively, were included as blanket pledges of security for Federal Home Loan Bank advances. As discussed in Note 13, amounts borrowed from Federal Home Loan Banks were \$224 million and \$225 million at December 31, 2003 and 2002, respectively.

We sold loans during 2003, 2002 and 2001 totaling \$603 million, \$567 million and \$610 million, respectively, that were classified as held for sale. Income from loans sold, excluding servicing, of both loans held for sale and loan securitizations was \$64.6 million in 2003, \$48.2 million in 2002, and \$80.3 million in 2001.

Changes in the allowance for loan losses are summarized as follows (*in thousands*):

	2003	2002	2001
Balance at beginning of year	\$ 279,593	260,483	195,535
Allowance for loan losses of companies acquired	-	1,010	30,178
Additions:			
Provision for loan losses	69,940	71,879	73,191
Allowance for securitized loans repurchased	-	9,874	-
Recoveries	16,791	20,679	16,139
Deductions:			
Loan charge-offs	(85,603)	(84,332)	(54,560)
	280,721	279,593	260,483
Reclassification of allowance for unfunded lending commitments	(12,215)	-	-
Balance at end of year	\$ 268,506	279,593	260,483

The reclassified allowance in 2003 is for potential credit losses related to undrawn commitments to extend credit. The reclassification was made as of December 31, 2003 to other liabilities. Prior year amounts were not restated.

Our recorded investment in impaired loans was \$44 million at both December 31, 2003 and 2002. Impaired loans of \$21 million and \$20 million at December 31, 2003 and 2002 required an allowance of \$5 million and \$7 million, respectively, which is included in the allowance for loan losses. Contractual interest due and interest foregone on impaired loans were \$6.2 million and \$5.6 million, respectively, for 2003, \$7.3 million and \$5.8 million, respectively, for 2002, and \$12.0 million and \$5.9 million, respectively, for 2001. The average recorded investment in impaired loans was \$51 million in 2003, \$69 million in 2002, and \$61 million in 2001.

Credit risk includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. Concentrations of credit risk from financial instruments (whether on- or off-balance sheet) occur when groups of customers or counterparties having similar economic characteristics are unable to meet contractual obligations when similarly affected by changes in economic or other conditions. We limit our exposure to any individual customer or counterparty.

Most of our business activity is with customers located in the states of Utah, Idaho, California, Nevada, Arizona, Colorado, and Washington. The commercial loan portfolio is well diversified, consisting of 11 major industry classification groupings. As of December 31, 2003, the larger concentrations of risk in the commercial loan and leasing portfolios are represented by the real estate, construction, business services and transportation industry groupings. We have minimal credit exposure from lending transactions with highly leveraged entities. See discussion in Note 20 regarding commitments to extend additional credit.

6. ASSET SECURITIZATIONS

SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, relates to the transfer and servicing of financial assets and extinguishments of liabilities. The Statement also provides guidance on the recognition and reclassification of collateral, including disclosures relating to collateral and securitization transactions.

We sold for cash home equity loans in 2003, 2002 and 2001 to revolving securitization structures, and in 2002 and 2001, we also sold automobile loans and credit card receivables. We retain servicing responsibilities and receive servicing fees. On an annualized basis, these fees approximate 0.5% of the outstanding loan balances for the home equity loans, 0.5% for the automobile loans, and 2% for the credit card receivables. We recognized pretax gains from the securitizations of \$9.7 million, \$6.3 million and \$5.6 million in 2003, 2002 and 2001 for the home equity loans, and in 2002 and 2001, \$5.8 million and \$8.7 million for the automobile loans, and \$6.2 million and \$6.6 million for the credit card receivables.

We retain subordinated tranche interests or cash reserve accounts that serve as credit enhancements on the securitizations. These retained interests provide us with rights to future cash flows arising after the investors in the securitizations have received the return for which they contracted, and after administrative and other expenses have been paid. The investors and the securitization vehicles have no recourse to other assets of the Company for failure of debtors to pay

when due. Our retained interests are subject to credit, prepayment, and interest rate risks on the transferred loans and receivables.

The gain or loss on the sale of loans and receivables is the difference between the proceeds from the sale and the basis of the assets sold. The basis is determined by allocating the previous carrying amount between the assets sold and the retained interests, based on their relative fair values at the date of transfer. Fair values are based upon market prices at the time of sale for the assets and the estimated present value of future cash flows for the retained interests.

In December 2002, the applicable purchase agreements for automobile loans and credit card receivables were terminated under the terms of the respective securitization agreements with the consent of the parties to the agreements and a majority of the beneficial interest holders. As a result, Zions First National Bank ("ZFNB"), one of our banking subsidiaries, repurchased \$361.7 million of automobile loans and \$68.5 million of credit card receivables at fair value under the terms of the agreements. No gain or loss was recognized as a result of these transactions.

In addition, we sold small business loans in 2003, 2002 and 2001 to securitization structures. In 2001, we also sold nonconforming residential real estate loans (jumbo mortgage loans) to securitization structures. Except for the revolving features, the general characteristics of the securitizations and rights of the Company described above also pertain to these transactions. Annualized servicing fees approximate 1% of the outstanding loan balances for the small business loans and 0.25% for the jumbo mortgage loans. We recognized pretax gains of \$2.4 million, \$6.7 million and \$12.1 million in 2003, 2002 and 2001 for the small business loans, and \$1.7 million in 2001 for the jumbo mortgage loans.

In November 2003, ZFNB as servicer exercised its "clean-up call" rights under the provisions of the applicable agreement to purchase back all of the remaining jumbo mortgage loans from the securitization structure. This election was allowed under the

terms of the agreement because the stated principal balance of the jumbo mortgage loans was less than 10% of the balance originally securitized. The amount paid of \$22.4 million redeemed the stated balances

plus any accrued interest, and approximated the fair value of the loans. No gain or loss was recognized as a result of this transaction.

Key economic assumptions used for measuring the retained interests at the date of securitization for sales during 2003, 2002 and 2001 are as follows:

	Automobile loans	Credit card receivables	Home equity loans	Small business loans	Jumbo mortgage loans
2003:					
Prepayment method			NA ¹	CPR	
Annualized prepayment speed			NA ¹	10, 15 Ramp up	
Weighted-average life (in months)			12	62	
Expected annual net loss rate			0.25%	0.50%	
Residual cash flows discounted at			15.0%	15.0%	
2002:					
Prepayment method	ABS	ABS	CPR	CPR	
Annualized prepayment speed	16.2%	5.0%	54.2%	15.0%	
Weighted-average life (in months)	18	3	14	59	
Expected annual net loss rate	1.25%	4.50%	0.25%	0.50%	
Residual cash flows discounted at	15.0%	15.0%	15.0%	15.0%	
2001:					
Prepayment method	ABS	ABS	ABS	CPR	CPR
Annualized prepayment speed	16.2%	5.0%	7.0%	5, 10, 15 Ramp up	50.0%
Weighted-average life (in months)	18	3	25	68	17
Expected annual net loss rate	1.25%	4.50%	0.25%	0.50%	0.25%
Residual cash flows discounted at	15.0%	15.0%	15.0%	15.0%	15.0%

¹The model for this securitization has been modified to respond to the current interest rate environment and the high volume of refinancings. As a result, there is no assumed prepayment speed. The weighted-average life assumption includes consideration of prepayment to determine the fair value of capitalized residual cash flows.

Certain cash flows between the Company and the securitization structures are summarized as follows (in millions):

	2003	2002	2001
Proceeds from new securitizations	\$ 587	442	728
Proceeds from loans sold into revolving securitizations	331	616	539
Proceeds from collections reinvested in previous credit card securitizations	-	218	227
Servicing fees received	16	16	12
Other cash flows received on retained interests ¹	87	104	73
Repurchase of securitizations	(22)	(430)	-
	\$ 999	966	1,579

¹Represents total cash flows received from retained interests other than servicing fees. Other cash flows include cash from interest-only strips and cash above the minimum required level in cash collateral accounts.

We recognize interest income on retained interests in securitizations in accordance with the provisions of Emerging Issues Task Force ("EITF") Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets*. Interest income thus recognized, excluding revolving securitizations, was \$23.3 million in 2003, \$21.0 million in 2002 and \$9.2 million in 2001.

Servicing fee income on all securitizations was \$16.2 million in 2003, \$16.1 million in 2002 and \$12.0 million in 2001. All amounts of pretax gains, interest income, and servicing fee income are included in loan sales and servicing income in the statement of income.

by economic assumptions and the sensitivity of the current fair value of capitalized residual cash flows to immediate 10% and 20% adverse changes in those assumptions are as follows at December 31, 2003 (in millions of dollars and annualized percentage rates):

		Home equity loans	Small business loans
Carrying amount/fair value of capitalized residual cash flows		\$ 9.3	95.8
Weighted-average life (in months)		12	36 - 61
Prepayment speed assumption		NA ¹	15.0% - 20.0% ²
Decrease in fair value due to adverse change	-10%	\$ NA ¹	0.9
	-20%	\$ NA ¹	2.7
Expected credit losses		0.25%	0.50% - 1.3%
Decrease in fair value due to adverse change	-10%	\$ 0.1	1.9
	-20%	\$ 0.2	5.0
Residual cash flows discount rate		15.0%	15.0%
Decrease in fair value due to adverse change	-10%	\$ 0.1	2.4
	-20%	\$ 0.3	4.6

¹The model for this securitization has been modified to respond to the current interest rate environment and the high volume of refinancings. As a result, there is no assumed prepayment speed. The weighted-average life assumption includes consideration of prepayment to determine the fair value of capitalized residual cash flows.

²The prepayment speed assumption for the 2003 SBA securitization is CPR 10, 15 Ramp up.

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on variations in assumptions cannot be extrapolated, as the relationship of the change in assumption to the change of fair value may not be linear. Also, the effect of a variation in one assumption is in reality, likely to further cause changes in other assumptions, which might magnify or counteract the sensitivities.

At December 31, 2003 and 2002, the weighted-average expected static pool credit losses for small business and jumbo mortgage loans (through the date of repurchase) was 2.90% and 2.19%. Static pool losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets.

The following table presents quantitative information about delinquencies and net credit losses for those categories of loans for which securitizations existed at December 31. The Company only securitizes loans originated or purchased by ZFNB. Therefore, only loans and related delinquencies and net credit losses of commonly managed ZFNB loans are included (in millions):

	Principal balance December 31,		Principal balance of loans past due 30+ days ¹ December 31,		Net credit losses ²		
	2003	2002	2003	2002	2003	2002	2001
Automobile loans	\$ NA	NA	NA	NA	NA	NA	6.4
Credit card receivables	NA	NA	NA	NA	NA	NA	4.4
Home equity loans	611.6	562.9	0.8	1.3	0.1	0.2	0.7
Small business loans	2,303.3	1,843.0	32.4	34.8	6.7	4.0	1.5
Jumbo mortgage loans	NA	109.8	NA	4.0	NA	0.4	-
Total loans managed or securitized - ZFNB	2,914.9	2,515.7	33.2	40.1	6.8	4.6	13.0
Less loans securitized - ZFNB ³	2,145.7	1,878.3					
Loans held in portfolio - ZFNB	\$ 769.2	637.4					

¹Loans greater than 30 days past due based on end of period total loans.

²Net credit losses are charge-offs net of recoveries and are based on total loans outstanding.

³Represents the principal amount of the loans. Interest-only strips and other retained interests held for securitized assets are excluded because they are recognized separately.

ZFNB provides a liquidity facility ("Liquidity Facility") for a fee to Lockhart Funding, LLC ("Lockhart"), a qualifying special-purpose entity securities conduit. Lockhart purchases floating rate U.S. Government and AAA-rated securities with funds from the issuance of commercial paper. ZFNB also provides for a fee hedge support and administrative and investment advisory services. Pursuant to the Liquidity Facility contract, ZFNB is required to purchase securities from Lockhart to provide funds for Lockhart to repay maturing commercial paper upon Lockhart's inability to access the commercial paper market, or upon a commercial paper market disruption as specified in governing documents for Lockhart. Under the liquidity agreement, ZFNB is required to purchase at book value any security in Lockhart that is downgraded below AA-. Prior to such purchase, ZFNB has the option to place its letter of credit on the security or obtain credit enhancement from a third party. At any given time, the maximum commitment of ZFNB is the lesser of the size of the Liquidity Facility commitment or the book value of Lockhart's securities portfolio. At December 31, 2003, the size of the Liquidity Facility commitment was \$5.1 billion and the book value of Lockhart's securities portfolio was approximately \$4.7 billion, which approximated market value. No amounts were outstanding under the Liquidity Facility at December 31, 2003. Subsequent to December 31, 2003, we are in the process of increasing the size of the Liquidity Facility commitment to \$6.1 billion, subject to rating agency approval.

In June 2003, the FASB issued for public comment an Exposure Draft, *Qualifying Special-Purpose Entities and Isolation of Transferred Assets*, that would amend SFAS 140. This new guidance proposes to change the requirements that an entity must meet to be considered a qualifying special-purpose entity. If this guidance were adopted as presently proposed, we would be required to consolidate Lockhart in our financial statements. The FASB is looking at revising the Exposure Draft, but is currently determining the nature and extent of any revisions based on certain questions raised, including those by banking regulators. In light of these developments, we are considering our business options with regard to the ongoing operations of Lockhart.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The issuance in April 2003 of SFAS No. 149, *Amendment of FASB Statement No. 133 on Derivatives and Hedging Transactions*, did not materially impact our accounting for derivative instruments.

As required by SFAS 133, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges under SFAS 133. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative are recorded in other comprehensive income and recognized in earnings when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized directly in earnings. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows on the derivative hedging instrument with the changes in fair value or cash flows on the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings. On January 1, 2001, all hedging relationships were designated anew by the Company in accordance with the provisions of SFAS 133.

Our objective in using derivatives is to add stability to interest income or expense, to modify the duration of specific assets or liabilities as we consider necessary, and to manage exposure to interest rate movements or

other identified risks. To accomplish this objective, we use interest rate swaps as part of our cash flow hedging strategy. The derivatives are used to hedge the variable cash flows associated with designated commercial loans and certain securities.

Exposure to credit risk arises from the possibility of nonperformance by counterparties. These counterparties primarily consist of financial institutions that are well established and well capitalized. We control this credit risk through credit approvals, limits, and monitoring procedures. No losses on derivative instruments have occurred as a result of counterparty nonperformance. Nevertheless, the related credit risk is considered and measured when and where appropriate.

Beginning in 2002, we used fair value hedges to manage interest rate exposure to certain long-term debt. In 2001, fair value hedge ineffectiveness of \$4.3 million (a net gain) was recognized in other noninterest income from a qualifying fair value hedge of an investment. No other hedge ineffectiveness has since occurred for fair value hedges. As of December 31, 2003, no derivatives were designated for hedges of investments in foreign operations.

Interest rate swap agreements designated as cash flow hedges involve the receipt of fixed-rate amounts in exchange for variable-rate payments over the life of the agreements without exchange of the underlying principal amount. Basis swap agreements designated as cash flow hedges are used in conjunction with certain interest rate swaps and are used to convert the variable rate paid on an interest rate swap to match the variable rate received from a loan. Derivatives not designated as hedges are not speculative and are used to manage our exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements of SFAS 133.

Our adoption of SFAS 133 resulted in transition adjustments presented as cumulative effect adjustments in the 2001 statement of income and in the statement of changes in shareholders' equity and comprehensive income. The transition adjustments relate to the recording of the fair value of derivatives on the balance sheet, and the effect of transferring certain held to maturity investments to either the trading or available for sale categories, as allowed by the transition provisions of SFAS 133. The total amount of held to maturity securities transferred was approximately \$3.1 billion.

The 2001 cumulative effect adjustments are summarized as follows (*in thousands*):

	In operations			In other comprehensive income		
	Amount	Tax benefit	Net of tax	Amount	Tax expense	Net of tax
Transfer of investments	\$ (11,246)	(4,355)	(6,891)	\$ 21,331	8,072	13,259
Derivative instruments:						
Basis swaps	(434)	(166)	(268)			
Cumulative effect in statement of income	<u>\$ (11,680)</u>	<u>(4,521)</u>	<u>(7,159)</u>			
Interest rate swaps				34,439	13,173	21,266
Cumulative effect in other comprehensive income				<u>\$ 55,770</u>	<u>21,245</u>	<u>34,525</u>

Selected information with respect to notional amounts, recorded fair values, and related income of derivative instruments is summarized as follows (*in thousands*):

	Year ended December 31, 2003					Year ended December 31, 2002						
	Notional amount	Fair value		Interest income	Other income	Offset to interest expense	Notional amount	Fair value		Interest income	Other income	Offset to interest expense
	Asset	Liability					Asset	Liability				
Cash flow hedges												
Interest rate swaps	\$ 1,831,000	20,482	10,323	43,167			1,195,000	33,409		34,979		
Basis swaps	170,000		23	(177)			245,000	59		(63)		
	2,001,000	20,482	10,346	42,990			1,440,000	33,468		34,916		
Nonhedges												
Interest rate swaps	767,821	13,806	2,954		1,857		1,501,848	50,854	33,490		14,722	
Basis swaps	2,445,000	272	947		132		965,000	158	333		(347)	
	3,212,821	14,078	3,901		1,989		2,466,848	51,012	33,823		14,375	
Fair value hedges												
Long-term debt and other borrowings	960,125	39,425				22,561	385,125	24,913				5,516
Total	\$ 6,173,746	73,985	14,247	42,990	1,989	22,561	4,291,973	109,393	33,823	34,916	14,375	5,516

Other income is included in market making, trading and nonhedge derivative income. Interest income on fair value hedges is used to offset interest expense on long-term debt. The change in net unrealized gains for derivatives designated as cash flow hedges is separately disclosed in the statement of changes in shareholders' equity and comprehensive income. No hedge ineffectiveness on cash flow hedges was recognized in 2003, 2002 or 2001.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest income as interest payments are received on our variable rate loans. The change in net unrealized gains on cash flow hedges discussed above reflects a reclassification of net unrealized gains from accumulated other comprehensive income to interest income, as disclosed in the statement of changes in shareholders' equity and comprehensive income. For 2004, we estimate that an additional \$37 million will be reclassified.

In January 2004, the FASB issued for public comment SFAS 133 Implementation Issue No. G25, *Cash Flow Hedges: Hedging the Variable Interest Payments on a Group of Prime-Rate Based Interest Bearing Loans* ("Issue G25"). Issue G25 proposes to no longer allow companies to identify the hedged transaction on a specified level of prime-rate based interest payments that are received during a given time period on an unspecified portfolio of prime-rate based loans.

8. VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued FIN 46, which provides guidance on identifying a variable interest entity ("VIE") and determining when a company must consolidate in its financial statements the assets, liabilities, and results of activities of a VIE. A company is required to consolidate a VIE if it is determined to be the primary beneficiary. The primary beneficiary of a VIE is the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both.

In December 2003, the FASB issued a revised FIN 46 ("FIN 46R") that replaced FIN 46 and effectively modified and clarified certain provisions of FIN 46 and modified the effective date for certain entities.

We have applied FIN 46 as of December 31, 2003 with respect to the trust preferred securities described in Note 14. The trusts involved in the borrowing arrangements are special-purpose entities that have been consolidated in the financial statements since their inception or acquisition.

We determined as of December 31, 2003 that we are the primary beneficiary of the trust preferred security structure. This determination was made based on the following: (1) we adopted FIN 46 (not FIN 46R) as of December 31, 2003, (2) we had not previously applied the provisions of FIN 46 and deconsolidated the trust, (3) we have the ability to call the preferred

securities, and (4) we are the primary beneficiary based on an analysis that the call option provides us with the majority of the expected residual returns of the trust. However, FIN 46R effectively removed the ability of companies in these same circumstances to make the above argument, and accordingly, the call option will not permit companies to be the primary beneficiary of the trusts. We will therefore deconsolidate the trusts in the first quarter of 2004 when FIN 46R is adopted. We estimate this deconsolidation will not have a material effect on our results of operations, financial position, or liquidity.

The following discusses our involvement with VIEs for which FIN 46 or FIN 46R was applicable, that have not been consolidated in our financial statements as of December 31, 2003:

Identrus, LLC is engaged in the development and sale of e-commerce digital certification and is owned by a global consortium of banks. In May 2002, we completed the sale of our Digital Signature Trust Co. subsidiary to Identrus for an approximate 33% ownership position. We provided an additional capital contribution of approximately \$2.0 million in December 2003 increasing our ownership to approximately 36%. Our recorded investment in Identrus at December 31, 2003 is \$6.4 million, which approximates our maximum exposure to loss. Based on an analysis of expected losses and residual returns, we have concluded that we are not the primary beneficiary. Accordingly, we continue to account for Identrus under the equity method of accounting.

ZCA Investment Trust is a special-purpose entity set up as a result of the sale of our investment in Concord EFS, Inc. The trust held shares of Concord stock and forward sales contracts contributed in September 2001 by the Company and an affiliate of the counterparty to the forward sales contracts. The affiliate prepaid 82% of the securities' value and the trust purchased \$78 million in certificates of deposit from the Company. Based on an analysis of expected losses and residual returns, we have concluded that we are not the primary beneficiary of this trust.

We continue to review the impact of adopting FIN 46R beginning in 2004. Based on the clarifications made in FIN 46R, we do not expect that any of our troubled debt restructurings will be subject to the provisions of FIN 46R, as our policy is to not take an equity position with a troubled borrower. We are in the process of analyzing the effect of FIN 46R on low income housing lending and other equity investments. As of December 31, 2003, we have not identified any other arrangements that will require consolidation or deconsolidation in 2004 under FIN 46R.

As described in Note 6, ZFNB holds variable interests in securitization structures. All of these structures are qualifying special-purpose entities, which are exempt from the consolidation requirements of FIN 46.

9. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows at December 31 (*in thousands*):

	2003	2002
Land	\$ 82,536	70,269
Buildings	229,692	218,638
Furniture and equipment	360,345	350,220
Leasehold improvements	93,036	90,569
Total	765,609	729,696
Less accumulated depreciation and amortization	357,784	336,066
Net book value	\$ 407,825	393,630

10. GOODWILL AND OTHER INTANGIBLE ASSETS

Core deposit and other intangible assets and related amortization are as follows at December 31 (*in thousands*):

	Gross carrying amount		Accumulated amortization		Net carrying amount	
	2003	2002	2003	2002	2003	2002
Core deposit intangibles	\$ 143,620	143,620	(76,623)	(62,650)	66,997	80,970
Other intangibles	2,016	2,000	(266)	(50)	1,750	1,950
	\$ 145,636	145,620	(76,889)	(62,700)	68,747	82,920

The amount of amortization expense of core deposit and other intangible assets is separately reflected in the statement of income. We have no intangible assets with indefinite lives.

Estimated amortization expense for core deposit and other intangible assets is as follows for the five years succeeding December 31, 2003 (*in thousands*):

2004	\$ 13,603
2005	13,415
2006	13,291
2007	11,752
2008	5,274

Changes in the carrying amount of goodwill by operating segment are as follows (*in thousands*):

	Zions First National Bank and Subsidiaries	California Bank & Trust	Nevada State Bank	National Bank of Arizona	Vectra Bank Colorado	The Commerce Bank of Washington	Other	Consolidated Company
Balance as of January 1, 2002	\$ 11,533	387,387	21,051	57,168	239,232	-	54,392	770,763
Goodwill acquired during the year	1,782			3,896				5,678
Impairment losses							(46,682)	(46,682)
Goodwill reclassified to discontinued operations							(546)	(546)
Goodwill written off from sale of branch businesses		(1,082)						(1,082)
Goodwill pushdown from parent	7,989			1,142	16		(9,147)	-
Other adjustments, including contingent consideration paid	(8)	(474)		446	(47)		1,983	1,900
Balance as of December 31, 2002	21,296	385,831	21,051	62,652	239,201	-	-	730,031
Impairment losses					(75,628)			(75,628)
Other adjustments	4			(255)				(251)
Balance as of December 31, 2003	\$ 21,300	385,831	21,051	62,397	163,573	-	-	654,152

In June 2002, we completed all goodwill impairment testing required under the transitional provisions of SFAS 142. Impairment losses of \$32.4 million (net of income tax benefit of \$2.7 million) were recognized as of January 1, 2002 as a cumulative effect adjustment in accordance with SFAS 142. This adjustment relates to the impairment in carrying value of our investments in certain e-commerce subsidiaries included in the "Other" operating segment. The impairment amount was determined by comparing the carrying value of these subsidiaries to their fair value at January 1, 2002, which was estimated from comparable market values including price-to-revenue multiples. In September 2002, additional impairment losses were recognized on these e-commerce subsidiaries, as discussed in Note 16.

In September 2003, we recognized an impairment loss on goodwill of \$75.6 million related to the restructuring of Vectra Bank Colorado ("Vectra"). The restructuring resulted from steps that Vectra has taken to improve performance, including the engagement of a national consulting firm to analyze its operations and improve profitability. As a result of this analysis, Vectra is restructuring to refocus its marketing efforts.

Part of the impairment loss consisted of \$7.1 million related to the pending sale of 11 branch businesses in Colorado, which is expected to close sometime in the first half of 2004. The amount was determined by comparing the carrying value of the branches to their fair value based on bids, letters of intent and current negotiations.

The remaining \$68.5 million related to an impairment analysis on the retained operations of Vectra performed as part of the restructuring. The amount was determined based on the calculation process specified in SFAS 142, which compares carrying value to the determined fair values of assets and liabilities excluding the branches held for sale. The determination of the fair values was made with the assistance of independent valuation consultants by a combination of an income approach using a discounted projected cash flow analysis and market value approaches using guideline companies and acquisition transactions.

During the fourth quarter of 2003, we completed the annual impairment review required by SFAS 142 and did not recognize any additional impairment losses.

Transitional disclosures under SFAS 142 to adjust 2001 net income for the add back of goodwill amortization are as follows (*in thousands, except per share amounts*):

	As reported	Goodwill amortization ¹	As adjusted
Net income for 2001	\$ 283,020	33,056	316,076
Net income per common share:			
Basic	\$ 3.10	0.36	3.46
Diluted	\$ 3.07	0.36	3.43

¹Net of income tax benefit.

Of the amount of goodwill amortization added back in 2001, \$2.4 million was subsequently included with discontinued operations. See related discussion in Note 16.

11. DEPOSITS

At December 31, 2003, the scheduled maturities of all time deposits are as follows (*in thousands*):

2004	\$ 2,055,757
2005	358,308
2006	115,339
2007	121,932
2008 and thereafter	83,405
	<u>\$ 2,734,741</u>

At December 31, 2003, the contractual maturities of time deposits with a denomination of \$100,000 and over were as follows: \$405 million in 3 months or less, \$221 million over 3 months through 6 months, \$312 million over 6 months through 12 months, and \$289 million over 12 months.

Deposit overdrafts reclassified as loan balances were \$44 million and \$77 million at December 31, 2003 and 2002, respectively.

12. SHORT-TERM BORROWINGS

Selected information for short-term borrowings is as follows (*in thousands*):

	2003	2002	2001
Federal funds purchased:			
Average amount outstanding	\$ 1,298,781	1,167,762	1,046,859
Weighted-average rate	1.09%	1.67%	3.74%
Highest month-end balance	\$ 1,894,841	1,991,882	1,492,262
Year-end balance	\$ 1,370,619	819,807	1,203,764
Weighted average rate on outstandings at year-end	0.97%	1.03%	1.68%
Security repurchase agreements:			
Average amount outstanding	\$ 1,306,041	1,360,395	1,821,539
Weighted-average rate	0.97%	1.44%	3.50%
Highest month-end balance	\$ 1,421,771	1,871,728	2,021,895
Year-end balance	\$ 841,170	861,177	933,973
Weighted average rate on outstandings at year-end	0.59%	0.83%	1.27%

Short-term borrowings generally mature in less than 30 days. Our participation in security repurchase agreements is on an overnight or term basis. Certain overnight agreements are performed with sweep accounts in conjunction with a master repurchase agreement. In this case, securities under our control are pledged for and interest is paid on the collected balance of the customers' accounts. For term repurchase agreements, securities are transferred to the applicable counterparty. The counterparty, in certain instances, is contractually entitled to sell or repledge securities accepted as collateral. As of December 31, 2003, overnight security repurchase agreements were \$708.4 million and term security repurchase agreements were \$132.8 million.

13. FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

Federal Home Loan Bank ("FHLB") advances and other borrowings over one year are summarized as follows at December 31 (*in thousands*):

	2003	2002
FHLB advances, 3.66% - 8.33%	\$ 224,440	225,198
SBA notes payable, 2.25% - 7.64%	7,000	15,500
	\$ 231,440	240,698

The weighted-average interest rate on FHLB advances outstanding at December 31, 2003 and 2002 was 4.9% and 5.0%, respectively.

The FHLB advances are borrowed by banking subsidiaries under their lines of credit, which are secured under a blanket pledge arrangement. The subsidiaries maintain unencumbered collateral with a carrying amount adjusted for the types of collateral pledged, equal to at least 100% of outstanding advances.

Interest expense on FHLB advances and other borrowings over one year was \$12.3 million in 2003, \$12.5 million in 2002, and \$11.1 million in 2001.

Maturities of FHLB advances and other borrowings with original maturities over one year are as follows at December 31, 2003 (*in thousands*):

2004	\$ 2,580
2005	2,343
2006	2,343
2007	2,335
2008	4,288
Thereafter	217,551
	\$ 231,440

14. LONG-TERM DEBT

Long-term debt at December 31 is summarized as follows (in thousands):

	2003	2002
Guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures	\$ 495,099	511,172
Subordinated notes	724,741	510,000
Senior medium-term notes:		
Floating rate	239,833	46,138
Fixed rate	150,326	-
Capital lease obligations and other	1,619	2,195
	\$ 1,611,618	1,069,505

The amounts above represent the par value of the debt adjusted for any unamortized discount or other basis adjustments related to hedging the debt with derivative instruments.

The guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures include \$170.1 million of 8.536% trust preferred securities issued by Zions Institutional Capital Trust A ("ZICTA"), \$22.0 million of 11.75% trust preferred securities issued by CSBI Capital Trust I ("CSBICT"), and \$2.2 million of 10.25% trust preferred securities issued by GB Capital Trust ("GBCT"). Each series of trust preferred securities relates to a corresponding series of junior subordinated deferrable interest debentures issued by us or ZFNB (referred to as the "ZICTA debentures," the "CSBICT debentures" and the "GBCT debentures," respectively) to the trusts identified above. We became obligated with respect to the CSBICT and GBCT debentures as a result of the acquisitions of Eldorado Bancshares and GB Bancorporation, respectively.

The ZICTA and GBCT debentures require semiannual interest payments and mature in December 2026 and January 2027, respectively. The CSBICT debentures require quarterly interest payments and mature in June 2027. All of these series of debentures are subject, with the approval of banking regulators, to early redemption beginning in 2006 and 2007. The CSBICT and GBCT debentures are direct and unsecured obligations subordinate to other indebtedness and general creditors of the Company. The ZICTA

debentures are direct and unsecured obligations of ZFNB and are subordinate to the claims of depositors and general creditors. The Company has unconditionally guaranteed the obligations of ZICTA, CSBICT and GBCT with respect to their respective series of trust preferred securities to the extent set forth in the applicable guarantee agreements. The Company has also unconditionally guaranteed the obligations of ZFNB with respect to the ZICTA debentures to the extent set forth in the applicable guarantee agreement.

The preferred beneficial interests also include \$285 million of 8.0% trust preferred securities issued in August 2002 by Zions Capital Trust B ("ZCTB"). These trust preferred securities relate to a corresponding series of junior subordinated deferrable interest debentures issued by us (the "ZCTB debentures"). The ZCTB debentures require quarterly interest payments and mature in September 2032. The debentures are subject, with the approval of banking regulators, to early redemption beginning in September 2007. These debentures are direct and unsecured obligations of the Company and are subordinate to other indebtedness and general creditors. The Company has unconditionally guaranteed the obligations of ZCTB with respect to the trust preferred securities issued by it to the extent set forth in the applicable guarantee agreement. The trust preferred securities, debentures and our guarantees are registered with the Securities and Exchange Commission.

We have agreements to hedge the ZICTA and \$140 million of the ZCTB debentures. The fair value hedge derivatives are accounted for in accordance with SFAS 133, as discussed in Note 7. They are recorded at their fair value of \$15.8 million at December 31, 2003 in the balance sheet with their related long-term debt amounts. These fair value hedges are interest rate swaps with early redemption dates consistent with the related debt.

As discussed in Note 8, we will deconsolidate the trusts involved in these trust preferred borrowing arrangements beginning in 2004.

The subordinated notes include \$200 million of 6.95% notes issued through a subsidiary, Zions Financial Corp., and \$200 million of 6.50% notes issued by the Company. In September 2003, we conducted a "modified Dutch auction" tender offer in which we repurchased \$95.8 million of the 6.95% notes and \$101.6 million of the 6.50% notes, or a total repurchase of \$197.4 million. The associated debt extinguishment cost of \$24.2 million is separately included in noninterest expense in the statement of income. Early redemption for these notes may occur beginning in May and October 2006, respectively. At that time, the notes will bear interest at one-month LIBOR plus 2.86% and one-month LIBOR plus 3.01% through maturity in May and October 2011, respectively. Each series of notes requires semiannual interest payments. The Company has unconditionally guaranteed the 6.95% notes.

Also included in subordinated notes are \$500 million at par of 6.00% subordinated notes due in September 2015. These notes are not redeemable prior to maturity and require semiannual interest payments. We hedged these notes with LIBOR-based floating interest rate swaps whose recorded fair value was \$23.1 million at December 31, 2003. This new debt is part of a \$1,050 million shelf registration statement filed with the Securities and Exchange Commission in August 2003 for the issuance of senior or subordinated debt at fixed or floating rates.

The floating rate senior medium-term notes at December 31, 2003 consist of \$240 million at par of notes that require quarterly interest payments at three-month LIBOR plus 50 basis points. Maturities for these notes range from January to August 2005; however, each issuance of notes is redeemable one year prior to its maturity.

The fixed rate senior medium-term notes consist of \$150 million at par of notes that require semiannual interest payments at 2.70% commencing May 2004 through maturity in May 2006. These notes are not redeemable prior to maturity. We hedged these notes with LIBOR-based floating interest rate swaps whose recorded fair value was \$0.5 million at December 31, 2003.

Interest expense on long-term debt was \$57.3 million in 2003, \$56.3 million in 2002, and \$42.7 million in 2001. Interest expense was reduced by \$22.6 million in 2003 and \$5.5 million in 2002 as a result of the associated hedges.

Maturities on long-term debt are as follows for the years succeeding December 31, 2003 (*in thousands*):

	Consolidated	Parent only
2004	\$ 431	
2005	240,168	239,833
2006	150,592	150,326
2007	92	
2008	88	
Thereafter	1,220,247	945,294
	<u>\$ 1,611,618</u>	<u>1,335,453</u>

Parent only maturities on long-term debt include \$324.7 million of subordinated debt payable to CSBICT, GBCT and ZCTB after 2008.

15. SHAREHOLDERS' EQUITY

We have in place a Shareholder Rights Protection Plan ("Plan") which contains provisions intended to protect our shareholders if certain events occur. These events include, but are not limited to, unsolicited offers or attempts to acquire the Company including offers that do not treat all shareholders equally, acquisitions in the open market of shares constituting control without offering fair value to all shareholders, and other coercive or unfair takeover tactics that could impair our Board of Directors' ability to fully represent shareholders' interests. The Plan provides that attached to each share of common stock is one right ("Right") to purchase one one-hundredth of a share of participating preferred stock for an exercise price of \$90, subject to adjustment. The Rights have certain antitakeover effects and may cause substantial dilution to a person who attempts to acquire the Company without the approval of the Board of Directors. The Rights, however, should not affect offers for all outstanding shares of common stock at a fair price or are otherwise in the best interests of the Company and its shareholders as determined by the Board of Directors. The Board of Directors may at its option redeem all, but not fewer than all, of the then outstanding Rights at any time until the 10th business day following a

public announcement that a person or a group had acquired beneficial ownership of 10% or more of our outstanding common stock or total voting power.

As authorized by our Board of Directors, we repurchased and retired 2,083,101 shares of our common stock in 2003 at a cost of \$106.8 million, 2,393,881 shares in 2002 at a cost of \$113.2 million, and 883,240 shares in 2001 at a cost of \$46.5 million. In January 2004, the Board of Directors authorized \$50 million for share repurchases, superseding the balance remaining under the prior authorization.

In April 2001, we reacquired the total minority interest of our California Bank & Trust subsidiary for \$66.0 million. The amount was based on the terms of the applicable minority shareholder agreement. The carrying value of this minority interest at that time was \$37.8 million.

During the second quarter of 2003, we began accounting for a new and a previously formed deferred compensation rabbi trust established for certain employees and directors. We followed the guidance in EITF Issue No. 97-14, *Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested*. Amounts deferred are held in rabbi trusts and invested in diversified assets or shares of the Company's stock, subject to plan limitations. We consolidate the assets and obligations of the trusts in our financial statements. Amounts invested in the Company's stock are recorded at cost in shareholders' equity in a manner similar to the accounting for treasury stock. At December 31, 2003, total invested assets of the trusts were approximately \$23.8 million and are included in other assets. The deferred compensation obligations were approximately \$27.4 million and are included in other liabilities. There is no effect on net income. The previously formed rabbi trust had not been consolidated as the deferred amounts were not considered material.

16. DISCONTINUED OPERATIONS, IMPAIRMENT LOSSES, AND RESTRUCTURING CHARGES

In September 2002, we decided to discontinue the operations of the e-commerce subsidiaries discussed in Note 10. We determined that our plan to restructure and offer all or part of these subsidiaries for sale met the held for sale and discontinued operations criteria of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. We adopted SFAS 144 effective January 1, 2002.

Summarized information for the loss from operations of discontinued subsidiaries is as follows (*in thousands*):

	2003	2002	2001
Noninterest income	\$ 3,001	7,414	7,197
Noninterest expense	3,467	25,718	19,684
Pretax loss from operations of discontinued subsidiaries	\$ (466)	(18,304)	(12,487)

Additional pretax impairment losses of \$28.7 million in 2002 for these subsidiaries are included as a separate line item with discontinued operations. Of this amount, \$11.6 million related to goodwill impairment. The amounts of these impairment losses were determined by comparing the carrying amounts of these subsidiaries to their fair values, less costs to sell. Fair values were determined based on amounts offered in sales negotiations and market comparables.

In December 2002, we completed the sale of one of these subsidiaries, Phaos Technology Corp., and recognized a \$5.3 million income tax benefit, which is included with other income tax benefits in discontinued operations. In September 2003, we sold the remaining subsidiary, Lexign, Inc., and recognized a pretax loss on sale of \$2.4 million.

No assets or liabilities of discontinued operations were included in the balance sheet at December 31, 2003. Assets and liabilities of discontinued operations included in other assets and other liabilities in the balance sheet at December 31, 2002 are summarized as follows (*in thousands*):

Assets:	
Cash and due from banks	\$ 657
Interest-bearing deposits	186
Premises and equipment, net	334
Other intangibles	358
Other assets	1,506
Total assets	3,041
Liabilities:	
Other liabilities	3,788
Total liabilities	3,788

Impairment losses on long-lived assets in continuing operations relate to certain software, including software of other continuing e-commerce activities, and to certain branch closings in 2003 by ZFNB. Recorded amounts of \$2.7 million in 2003 and \$4.9 million in 2002 include for 2003 and 2002, respectively, \$1.2 million and \$2.7 million in ZFNB, \$1.0 million and \$2.2 million in the Other operating segment, and in 2003, \$0.5 million in Vectra. Impairment losses were determined by comparing the carrying value to fair value, estimated by using discounted cash flow approaches.

We follow the guidance of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, to account for restructuring charges. This Statement requires companies to recognize costs associated with the exit or disposal of activities as they are incurred rather than at the date a plan or commitment to exit is initiated. The adoption of this Statement did not have a material impact on our results of operations.

In 2003, the restructuring charges of \$1.9 million consist of \$1.4 million in consulting fees for the Vectra restructuring discussed in Note 10 and \$0.5 million for certain branch closings in Utah. In 2002, the restructuring charges related primarily to certain branch closings and to the restructuring of trust operations and administrative functions. The recorded amount of \$3.3 million included severance costs of \$1.8 million and occupancy-related costs of \$1.5 million.

17. INCOME TAXES

Income taxes (benefit) are summarized as follows (*in thousands*):

	2003	2002	2001
Continuing operations:			
Federal:			
Current	\$ 190,013	136,050	130,700
Deferred	(13,529)	2,837	6,135
State	37,267	28,815	25,032
	213,751	167,702	161,867
Discontinued operations:			
Federal	(946)	(15,150)	(3,260)
State	(157)	(3,385)	(807)
	(1,103)	(18,535)	(4,067)
Cumulative effect adjustments:			
Federal	-	(2,143)	(3,855)
State	-	(533)	(666)
	-	(2,676)	(4,521)
Income tax expense	\$ 212,648	146,491	153,279

Income tax expense on continuing operations computed at the statutory federal income tax rate of 35% reconciles to actual income tax expense as follows (*in thousands*):

	2003	2002	2001
Income tax expense			
at statutory federal rate	\$ 191,156	168,402	158,434
State income taxes, net	24,223	18,730	16,270
Nondeductible expenses	32,051	2,667	12,178
Nontaxable interest	(17,445)	(18,576)	(12,870)
Tax credits and other taxes	(2,116)	(2,343)	(2,056)
Corporate reorganization	(10,923)	-	(6,416)
Other	(3,195)	(1,178)	(3,673)
	\$ 213,751	167,702	161,867

the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31 are presented below (in thousands):

	2003	2002
Gross deferred tax assets:		
Book loan loss deduction in excess of tax	\$ 108,860	108,726
Postretirement benefits	3,724	3,984
Deferred compensation	22,016	9,249
Deferred loan fees	3,336	1,613
Deferred agreements	1,108	1,484
Accrued severance costs	2,226	2,060
Minimum pension liability	10,164	15,128
Other	30,182	26,191
Total deferred tax assets	181,616	168,435
Gross deferred tax liabilities:		
Core deposits and purchase accounting	(28,135)	(28,412)
Premises and equipment, due to differences in depreciation	(4,349)	(4,760)
FHLB stock dividends	(10,590)	(10,383)
Leasing operations	(77,630)	(69,992)
Security investments and derivative market adjustments	(53,012)	(67,605)
Prepaid pension reserves	(1,399)	(1,734)
Other	(2,920)	(8,554)
Total deferred tax liabilities	(178,035)	(191,440)
Net deferred tax assets (liabilities)	\$ 3,581	(23,005)

The amount of net deferred tax assets at December 31, 2003 is included with other assets in the balance sheet. The amount of net deferred tax liabilities at December 31, 2002 is included with other liabilities. We have determined that a valuation reserve is not required for any deferred tax assets since it is "more likely than not" that such assets will be realized principally through future taxable income. This conclusion is based on the history of growth in earnings and the prospects for continued growth and profitability.

The exercise of stock options under our nonqualified stock option plan, and nonqualified exercises of options under the qualified plan, resulted in tax benefits reducing our current income tax payable and increasing common stock by \$5.2 million in 2003, \$2.9 million in 2002, and \$3.0 million in 2001.

18. NET INCOME PER COMMON SHARE

Basic and diluted net income per common share, based on the weighted average outstanding shares, are summarized as follows (in thousands, except per share amounts):

	2003	2002	2001
Basic:			
Income from continuing operations	\$ 339,593	317,107	298,599
Loss on discontinued operations	(1,770)	(28,460)	(8,420)
Income before cumulative effect adjustment	337,823	288,647	290,179
Cumulative effect adjustment	-	(32,369)	(7,159)
Net income applicable to common stock	\$ 337,823	256,278	283,020
Average common shares outstanding	90,048	91,566	91,202
Income from continuing operations per share	\$ 3.77	3.46	3.27
Loss on discontinued operations per share	(0.02)	(0.31)	(0.09)
Cumulative effect adjustment per share	-	(0.35)	(0.08)
Net income per common share	\$ 3.75	2.80	3.10
Diluted:			
Income from continuing operations	\$ 339,593	317,107	298,599
Loss on discontinued operations	(1,770)	(28,460)	(8,420)
Income before cumulative effect adjustment	337,823	288,647	290,179
Cumulative effect adjustment	-	(32,369)	(7,159)
Net income applicable to common stock	\$ 337,823	256,278	283,020
Average common shares outstanding	90,048	91,566	91,202
Stock option adjustment	686	513	972
Average common shares outstanding	90,734	92,079	92,174
Income from continuing operations per share	\$ 3.74	3.44	3.24
Loss on discontinued operations per share	(0.02)	(0.31)	(0.09)
Cumulative effect adjustment per share	-	(0.35)	(0.08)
Net income per common share	\$ 3.72	2.78	3.07

19. STOCK OPTIONS

We have a qualified stock option plan under which stock options may be granted to key employees, and a nonqualified plan under which options may be granted to nonemployee directors. At December 31, 2003, there were 2,569,910 and 141,000 additional shares available for grant under the qualified and nonqualified plans, respectively. Options equal to 2% of the issued and outstanding shares of our common stock as of the first day of the year are automatically reserved for issuance under the qualified plan.

Under the qualified plan, options vest at the rate of one third each year after the date of grant and expire seven years after the date of grant. Options granted prior to 2000 are exercisable in increments from one to four years after the date of grant and expire six years after the date of grant. Under the nonqualified plan, options are exercisable in increments from six months to three and a half years after the date of grant and expire ten years after the date of grant.

We also have a broad-based employee stock option plan. Participation in this plan requires employment for a full year prior to the option grant date with service of 20 hours per week or more. Executive officers are not eligible to participate in this plan. Stock options are granted to eligible employees based on an internal job grade structure. All options vest at the rate of one third each year and expire four years after the date of grant. At December 31, 2003, there were 1,983,472 additional shares available for grant.

Our stock-based compensation plans are accounted for based on the intrinsic value method of APB 25, as interpreted. No compensation expense has been recorded for these option plans, as the exercise price was equal to the quoted market price of the stock at the time of grant. The Stock-Based Compensation section of Note 1 illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation.

The following table is a summary of our stock option activity and related information for the three years ended December 31, 2003:

	Number of shares	Weighted-average exercise price
Balance at December 31, 2000	4,733,591	\$ 43.98
Acquired	906,845	41.90
Granted	2,090,843	53.28
Exercised	(611,174)	28.04
Forfeited	(655,449)	47.12
Balance at December 31, 2001	6,464,656	47.89
Granted	2,086,595	52.17
Exercised	(652,860)	32.62
Expired	(108,547)	50.58
Forfeited	(306,961)	55.93
Balance at December 31, 2002	7,482,883	50.04
Granted	2,136,851	45.15
Exercised	(1,319,892)	44.01
Expired	(196,373)	56.04
Forfeited	(532,824)	50.78
Balance at December 31, 2003	7,570,645	49.51
Outstanding options exercisable as of:		
December 31, 2003	3,913,524	\$ 50.35
December 31, 2002	3,744,828	48.01
December 31, 2001	3,315,756	44.50

Selected information on stock options as of December 31, 2003 follows:

Outstanding options				Exercisable options	
Exercise price range	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Number of shares	Weighted-average exercise price
\$2.37 to \$6.91	11,000	\$ 3.57	1.5	11,000	\$ 3.57
\$6.92 to \$13.83	25,367	13.29	1.8	25,367	13.29
\$13.84 to \$20.74	41,782	16.21	2.5	41,782	16.21
\$20.75 to \$27.65	16,727	23.35	3.8	16,727	23.35
\$27.66 to \$34.56	22,449	29.82	3.0	22,449	29.82
\$34.57 to \$41.48	183,974	40.08	2.9	60,251	40.08
\$41.49 to \$48.39	3,168,531	42.94	4.6	1,410,072	42.62
\$48.40 to \$55.30	3,237,824	53.39	4.2	1,728,276	53.05
\$55.31 to \$62.21	309,221	58.55	3.9	43,830	56.76
\$62.22 to \$69.13	553,770	69.09	1.5	553,770	69.09
	<u>7,570,645</u>	49.51	4.1	<u>3,913,524</u>	50.35

The previous tables do not include options as of December 31, 2003 to purchase common stock of certain of our subsidiaries, NetDeposit, Inc. and Providus Software Solutions, Inc. For NetDeposit, there were options to purchase 5,525,333 shares at exercise prices from \$0.50 to \$1.00. For Providus, there were options to purchase 1,338,400 shares at an exercise price of \$0.50. All of these options are excluded from earnings per share calculations because they are antidilutive. Issued and outstanding shares of common stock for NetDeposit and Providus were 36 million and 13 million, respectively, at December 31, 2003.

20. COMMITMENTS, GUARANTEES, CONTINGENT LIABILITIES, AND RELATED PARTIES

We use certain derivative instruments and other financial instruments in the normal course of business to meet the financing needs of our customers, to reduce our own exposure to fluctuations in interest rates, and to make a market in U.S. government, agency, corporate, and municipal securities. These financial instruments involve, to varying degrees, elements of credit, liquidity, and interest rate risk in excess of the amount recognized in the balance sheet. Derivative instruments are discussed in Note 7.

FASB Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, issued in November 2002, establishes guidance for guarantees and related obligations. Financial and performance standby letters of credit are guarantees that come under the provisions of FIN 45. The adoption of FIN 45 did not have a significant effect on our financial position or results of operations.

Contractual amounts of the off-balance sheet financial instruments used to meet the financing needs of our customers are as follows as of December 31 (*in thousands*):

	2003	2002
Commitments to extend credit	\$ 7,880,741	7,526,188
Standby letters of credit:		
Financial	340,475	287,819
Performance	90,412	101,380
Commercial letters of credit	25,095	26,392

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on our credit evaluation of the counterparty. Types of collateral vary, but may include accounts receivable, inventory, property, plant and equipment, and income-producing properties.

While establishing commitments to extend credit creates credit risk, a significant portion of such commitments is expected to expire without being drawn upon. As of December 31, 2003, \$5.0 billion of commitments expire in 2004. As a result, our credit exposure and liquidity requirements will be lower than the contractual amounts of the commitments. We use the same credit policies and procedures in making commitments to extend credit and conditional obligations as we do for on-balance sheet instruments. These policies and procedures include credit approvals, limits, and monitoring.

We issue standby and commercial letters of credit as conditional commitments generally to guarantee the performance of a customer to a third party. The guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Standby letters of credit include remaining commitments of \$336 million expiring in 2004 and \$95 million expiring thereafter through 2024. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. We generally hold marketable securities and cash equivalents as collateral supporting those commitments for which collateral is deemed necessary.

At December 31, 2003, we had a contractual obligation to purchase \$50 million of variable rate first mortgage residential real estate loans. We also had commitments to make venture investments of \$26.4 million. These obligations have no stated maturity.

As a market maker in U.S. government, agency, corporate, and municipal securities, we enter into

agreements to purchase and sell such securities. As of December 31, 2003 and 2002, we had outstanding commitments to purchase securities of \$45 million at both year-ends and outstanding commitments to sell securities of \$44 million and \$37 million, respectively. These agreements at December 31, 2003 have remaining terms of one month or less.

The contractual or notional amount of financial instruments indicates a level of activity associated with a particular class of financial instrument and is not a reflection of the actual level of risk. As of December 31, 2003 and 2002, the regulatory risk-weighted values assigned to all off-balance sheet financial instruments and derivative instruments described herein were \$2.7 billion and \$2.1 billion, respectively.

The Parent has a \$40 million line of credit available, which was unused as of December 31, 2003. The interest rate is at LIBOR plus 50 basis points. There is no compensating balance requirement.

At December 31, 2003, we were required to maintain cash balances of \$25 million with the Federal Reserve Banks to meet minimum balance requirements in accordance with Federal Reserve Board regulations.

As of December 31, 2003, the Parent has guaranteed approximately \$583.4 million of debt issued by our subsidiaries, as discussed in Note 14. See Note 6 for the discussion of ZFNB's commitment of \$4.7 billion at December 31, 2003 to a qualifying special-purpose entity securities conduit.

We are a defendant in various legal proceedings arising in the normal course of business. We do not believe that the outcome of any such proceedings will have a material effect on our results of operations, financial position, or liquidity.

We have commitments for leasing premises and equipment under the terms of noncancelable capital and operating leases expiring from 2004 to 2068. Premises leased under capital leases at December 31, 2003 were \$13.7 million and accumulated amortization was \$13.0 million. Amortization applicable to premises leased under capital leases is included in depreciation expense.

Future aggregate minimum rental payments under existing noncancelable operating leases at December 31, 2003 are as follows (*in thousands*):

2004	\$ 30,569
2005	28,071
2006	26,765
2007	24,395
2008	22,007
Thereafter	139,390
	\$ 271,197

Future aggregate minimum rental payments have been reduced by noncancelable subleases as follows: 2004, \$2.0 million; 2005, \$1.3 million; 2006, \$0.8 million; 2007, \$0.6 million; 2008, \$0.5 million; and thereafter \$1.9 million. Aggregate rental expense on operating leases amounted to \$40.1 million in 2003, \$34.3 million in 2002, and \$36.8 million in 2001.

In October 2003, we entered into a new lease agreement for our corporate headquarters. The lease is accounted for as an operating lease with an initial term of 20 years. The new minimum annual payments of approximately \$3.2 million are included in the previous table.

We have no material related party transactions requiring disclosure. In compliance with applicable banking regulations, we may extend credit to certain officers and directors of the Company and its banking subsidiaries in the ordinary course of business under substantially the same terms as comparable third-party lending arrangements.

21. REGULATORY MATTERS

We are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifi-

on are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). We believe, as of December 31, 2003, that we meet all capital adequacy requirements to which we are subject.

As of December 31, 2003, our capital ratios significantly exceeded the minimum capital levels, and we are considered well capitalized under the regulatory

framework for prompt corrective action. To be categorized as well capitalized, we must maintain minimum Total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events that we believe have changed our regulatory category.

Dividends declared by our banking subsidiaries in any calendar year may not, without the approval of the appropriate federal regulator, exceed their net earnings for that year combined with their net earnings less dividends paid for the preceding two years. At December 31, 2003, our subsidiaries had approximately \$236.8 million available for the payment of dividends under the foregoing restrictions.

The actual capital amounts and ratios for the Company and our significant banking subsidiaries are as follows (in thousands):

	Actual		Minimum for capital adequacy purposes		To be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2003:						
Total capital (to risk-weighted assets)						
The Company	\$ 3,241,210	13.52%	\$ 1,918,101	8.00%	\$ 2,397,627	10.00%
Zions First National Bank	942,159	11.47	657,172	8.00	821,465	10.00
California Bank & Trust	852,180	11.23	607,270	8.00	759,088	10.00
Tier I capital (to risk-weighted assets)						
The Company	2,258,863	9.42	959,051	4.00	1,438,576	6.00
Zions First National Bank	657,175	8.00	328,586	4.00	492,879	6.00
California Bank & Trust	525,964	6.93	303,635	4.00	455,453	6.00
Tier I capital (to average assets)						
The Company	2,258,863	8.06	841,155	3.00	1,401,925	5.00
Zions First National Bank	657,175	6.09	323,774	3.00	539,624	5.00
California Bank & Trust	525,964	6.06	260,254	3.00	433,756	5.00
As of December 31, 2002:						
Total capital (to risk-weighted assets)						
The Company	\$ 2,759,443	12.94%	\$ 1,705,937	8.00%	\$ 2,132,421	10.00%
Zions First National Bank	854,485	10.82	631,861	8.00	789,827	10.00
California Bank & Trust	771,695	11.06	558,359	8.00	697,949	10.00
Tier I capital (to risk-weighted assets)						
The Company	1,974,095	9.26	852,969	4.00	1,279,453	6.00
Zions First National Bank	596,529	7.55	315,931	4.00	473,896	6.00
California Bank & Trust	534,334	7.66	279,179	4.00	418,769	6.00
Tier I capital (to average assets)						
The Company	1,974,095	7.56	783,627	3.00	1,306,044	5.00
Zions First National Bank	596,529	5.63	317,833	3.00	529,721	5.00
California Bank & Trust	534,334	6.51	246,354	3.00	410,590	5.00

22. RETIREMENT PLANS

We have a noncontributory defined benefit pension plan for eligible employees. Plan benefits are based on years of service and employees' compensation levels. Benefits vest under the plan upon completion of five years of vesting service. Plan assets consist principally of corporate equity securities, mutual fund investments, insurance separate accounts, and cash investments. Plan benefits are defined as a lump-sum cash value or an annuity at retirement age.

During 2002, our Board of Directors approved significant changes to the pension plan, which became effective January 1, 2003. The plan was amended so that effective January 1, 2003 new employees are not allowed to participate in the plan. Benefit accruals for existing participants ceased as of that date with the following grandfathering exceptions. Participants age 55 and over with 10 years of service by December 31, 2002 may receive reduced future earnings credits in accordance with a reduced schedule. Participants age 55 and over with 10 years of service as of March 31, 1997 continue to receive future earnings credits without reduction.

In December 2003, the FASB revised SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. The revised Statement requires additional disclosure about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. The following information is presented according to the new requirements.

The following table presents the change in benefit obligation, fair value of plan assets, and funded status of the plan and amounts recognized in the balance sheet as of the measurement date of December 31 (*in thousands*):

	2003	2002
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 128,014	135,032
Service cost	636	11,113
Interest cost	8,426	9,202
Plan amendments	-	501
Actuarial (gain) loss	7,957	(8,116)
Curtailments	-	(11,934)
Benefits paid	(6,599)	(7,784)
Benefit obligation at end of year	138,434	128,014
Change in plan assets:		
Fair value of plan assets at beginning of year	93,996	119,033
Actual return on plan assets	25,788	(17,253)
Employer contributions	2,600	-
Benefits paid	(6,599)	(7,784)
Fair value of plan assets at end of year	115,785	93,996
Funded status	(22,649)	(34,018)
Unrecognized net actuarial loss	26,337	38,602
Net amount recognized	\$ 3,688	4,584
Amounts recognized in the balance sheet consist of:		
Accrued benefit liability	\$ (22,165)	(33,901)
Accumulated other comprehensive income	25,853	38,485
Net amount recognized	\$ 3,688	4,584

The accumulated benefit obligation for the pension plan was \$137.8 million and \$127.9 million as of December 31, 2003 and 2002, respectively. We do not expect to contribute to the pension plan in 2004.

The following table presents the components of net periodic benefit cost for the plan (*in thousands*):

	2003	2002	2001
Service cost	\$ 636	11,113	8,601
Interest cost	8,426	9,202	8,659
Expected return on plan assets	(7,901)	(10,398)	(10,351)
Amortization of prior service cost	-	(404)	(412)
Amortization of net actuarial loss	2,335	1,299	-
Net periodic benefit cost	3,496	10,812	6,497
Curtailment gain	-	(311)	-
Total cost	\$ 3,496	10,501	6,497

Weighted-average assumptions used for the plan are as follows:

	2003	2002	2001
Used to determine benefit obligation at year-end:			
Discount rate	6.25%	6.75%	
Rate of compensation increase	4.00%	4.00%	
Used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	6.75%	7.25%	7.50%
Expected long-term return on plan assets	8.60%	9.00%	9.00%
Rate of compensation increase	4.00%	5.00%	5.00%

The target asset allocation plan is reviewed to determine the overall expected long-term rate of return on plan assets. An expected long-term rate of return is assumed for each asset class, and an underlying inflation rate assumption is determined. The effects of asset diversification and periodic fund rebalancing, as well as an allowance for management expenses, are also considered.

Weighted-average asset allocations at December 31 for the pension plan are as follows:

	2003	2002
Equity securities	5%	5%
Mutual funds:		
Equity funds	27%	23%
Debt funds	16%	23%
Other:		
Insurance company separate accounts – equity investments	44%	43%
Guaranteed deposit account	8%	6%
	100%	100%

The pension plan's investment strategy is predicated on its investment objectives and the risk and return expectations of asset classes appropriate for the plan. Investment objectives have been established by considering the plan's liquidity needs and time horizon and the fiduciary standards under ERISA. The asset allocation

strategy is developed to meet the plan's long-term needs in a manner designed to control volatility and to reflect risk tolerance. The plan's asset allocation is designed using modern portfolio theory, which quantifies the impact of diversification among various asset classes. Current target allocation percentages are 75% invested in equities and 25% invested in fixed income assets.

Equity securities consist of 93,705 shares of Company common stock with a fair value of \$5.7 million at December 31, 2003, and 123,744 shares with a fair value of \$4.9 million at December 31, 2002. Dividends paid were approximately \$127 thousand in 2003 and \$99 thousand in 2002.

We are also obligated under several unfunded non-qualified supplemental retirement plans for certain current and former employees. At December 31, 2003 and 2002, our liability included in other liabilities totaled \$17.3 million and \$16.0 million, respectively, for these plans.

In addition to our defined benefit pension plan, we sponsor an unfunded defined benefit health care plan that provides postretirement medical benefits to full-time employees hired before January 1, 1993, who meet minimum age and service requirements. The plan is contributory, with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. Plan coverage is provided by self-funding or health maintenance organizations (HMOs) options. Reductions in our obligations to provide benefits resulting from cost sharing changes have been applied to reduce the plan's unrecognized transition obligation. In 2000, we increased our contribution toward retiree medical coverage and permanently froze our contributions. Retirees pay the difference between the full premium rates and our capped contribution.

The following table presents the change in benefit obligations, fair value of plan assets, and funded status of the plan and amounts recognized in the balance sheet as of the measurement date of December 31 (*in thousands*):

	2003	2002
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 7,501	7,152
Service cost	119	104
Interest cost	479	495
Actuarial loss	292	359
Benefits paid	(717)	(609)
Benefit obligation at end of year	7,674	7,501
Change in plan assets:		
Fair value of plan assets at beginning of year	-	-
Employer contributions	717	609
Benefits paid	(717)	(609)
Fair value of plan assets at end of year	-	-
Funded status	(7,674)	(7,501)
Unrecognized net actuarial gain	(1,391)	(2,103)
Unrecognized prior service cost	85	170
Net amount recognized	\$ (8,980)	(9,434)
Amounts recognized in the balance sheet consist of:		
Accrued benefit liability	\$ (8,980)	(9,434)
Net amount recognized	\$ (8,980)	(9,434)

The following table presents the components of net periodic benefit cost for the plan (*in thousands*):

	2003	2002	2001
Service cost	\$ 119	104	110
Interest cost	479	495	512
Amortization of prior service cost	85	85	85
Amortization of net actuarial gain	(421)	(596)	(917)
Net periodic benefit cost (credit)	\$ 262	88	(210)

Weighted-average assumptions used for the plan are as follows:

	2003	2002	2001
Used to determine benefit obligation at year-end:			
Discount rate	6.25%	6.75%	
Rate of compensation increase	4.00%	4.00%	
Used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	6.75%	7.25%	7.50%
Rate of compensation increase	4.00%	5.00%	5.00%

Since our contribution rate is capped, there is no effect on the plan from assumed increases or decreases in health care cost trends.

We expect to contribute approximately \$700 thousand to the postretirement medical plan for 2004.

We have a 401(k) plan ("PAYSHELTER") under which employees select from several investment alternatives. For 2002, employees could contribute from 1 to 15% of compensation, which was matched up to 50% by us for contributions up to 5% and 25% for contributions greater than 5% up to 15%. Effective January 1, 2003, employees can contribute up to 50% of the earnings to the plan which will be matched by us 100% for the first 3% of employee contributions and 50% for the next 2% of employee contributions. Our contributions to the plan associated with the matching feature amounted to \$9.8 million in 2003, \$8.1 million in 2002, and \$6.6 million in 2001.

Effective January 1, 2003, we added a profit sharing feature to the PAYSHELTER plan. The profit sharing contribution is discretionary and the contributions may range from 0% to 4.5% of eligible compensation based upon our return on average common equity for the year. For the year ended December 31, 2003, the contribution percentage was 3% and we recorded a profit sharing expense of \$9.2 million.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value and estimated fair value of principal financial instruments are summarized as follows (in thousands):

	December 31, 2003		December 31, 2002	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
Cash and due from banks	\$ 1,119,351	1,119,351	1,087,296	1,087,296
Money market investments	568,694	568,694	542,762	542,762
Investment securities	4,818,017	4,818,017	3,635,951	3,635,951
Loans, net	19,651,855	19,759,519	18,760,250	19,810,336
Derivatives in other assets	73,985	73,985	109,393	109,393
Total financial assets	\$ 26,231,902	26,339,566	24,135,652	25,185,738
Financial liabilities:				
Demand, savings, and money market deposits	\$ 17,927,428	17,927,428	16,771,716	16,771,716
Time deposits	2,734,741	2,768,148	3,169,033	3,320,343
Foreign deposits	234,526	234,472	191,231	191,215
Securities sold, not yet purchased	263,379	263,379	203,838	203,838
Federal funds purchased and security repurchase agreements	2,211,789	2,211,789	1,680,984	1,680,984
Derivatives in other liabilities	14,247	14,247	33,823	33,823
FHLB advances and other borrowings	572,938	600,039	547,818	584,860
Long-term debt	1,611,618	1,637,874	1,069,505	1,172,630
Total financial liabilities	\$ 25,570,666	25,657,376	23,667,948	23,959,409

FINANCIAL ASSETS

The estimated fair value approximates the carrying value of cash and due from banks and money market investments. For investment securities, the fair value is based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or a discounted cash flow model based on established market rates. The fair value of fixed-rate loans is estimated by discounting future cash flows using the London Interbank Offer Rate ("LIBOR") yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. Variable-rate loans reprice with changes in market rates. As such, their carrying amounts are deemed to approximate fair value.

FINANCIAL LIABILITIES

The estimated fair value of demand, savings and money market deposits, securities sold not yet purchased, and federal funds purchased and security repurchase agreements, approximates the carrying value. The fair

value of time and foreign deposits is estimated by discounting future cash flows using the LIBOR yield curve. The fair value of fixed rate FHLB advances is estimated by discounting future cash flows using the LIBOR yield curve. Variable rate FHLB advances reprice with changes in market rates. As such, their carrying amounts approximate their fair value. Other borrowings are not significant. The estimated fair value of long-term debt is based on discounting cash flows using the LIBOR yield curve plus credit spreads.

DERIVATIVE INSTRUMENTS

The fair value of the derivatives reflects the estimated amounts that we would receive or pay to terminate these contracts at the reporting date based upon pricing or valuation models applied to current market information. Interest rate swaps are valued using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates derived from observed market interest rate curves.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The fair value of commitments to extend credit and letters of credit, based on fees currently charged for similar commitments, is not significant.

LIMITATIONS

These fair value disclosures represent our best estimates, based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

Further, certain financial instruments and all nonfinancial instruments are excluded from applicable disclosure requirements. Therefore, the fair value amounts shown in the table do not, by themselves, represent the underlying value of the Company as a whole.

24. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. This geographical emphasis allows us as a regional community banking system to assess performance and allocate resources. All segments presented, except for the segment identified as "Other," are based on commercial banking operations. The operating segment identified as "Other" includes Zions Bancorporation, certain e-commerce subsidiaries, other smaller nonbank operating units, and eliminations of transactions between segments.

The accounting policies of the individual operating segments are the same as those of the Company described in Note 1. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. We allocate centrally provided services to the business segments based upon estimated usage of those services.

We initiated a program in 2002 to allocate income between certain of our banking subsidiaries to better match revenues from hedging strategies to the operating units which gave rise to the exposures being hedged. Allocated income (expense) from this program included in net interest income of the banking subsidiaries is as follows (*in millions*):

	2003	2002
Zions First National Bank	\$ (26.0)	(47.0)
Nevada State Bank	2.6	9.9
National Bank of Arizona	6.7	10.1
Vectra Bank Colorado	12.3	21.9
The Commerce Bank of Washington	4.4	5.1
	\$ -	-

Effective January 1, 2003, we changed the method by which this hedge program income (expense) is allocated. As a result, the amounts allocated to each segment for the years shown are not directly comparable. Further, the amounts allocated continue to decrease as the underlying hedges mature and new hedges are being recorded directly at the banking subsidiaries.

The following is a summary of selected operating segment information for the years ended December 31, 2003, 2002 and 2001 (*in thousands*):

	Zions First National Bank and Subsidiaries	California Bank & Trust	Nevada State Bank	National Bank of Arizona	Vectra Bank Colorado	The Commerce Bank of Washington	Other	Consoli- dated Company
2003:								
Net interest income	\$ 335,544	385,389	125,816	128,572	100,545	24,705	(5,077)	1,095,494
Provision for loan losses	46,300	12,050	5,650	250	5,910	800	(1,020)	69,940
Net interest income after provision for loan losses	289,244	373,339	120,166	128,322	94,635	23,905	(4,057)	1,025,554
Noninterest income	233,797	75,866	31,692	21,450	38,079	2,047	87,164	490,095
Noninterest expense	318,260	226,978	86,898	79,775	100,450	11,260	70,241	893,862
Impairment loss on goodwill	-	-	-	-	75,628	-	-	75,628
Income from continuing operations before income taxes and minority interest	204,781	222,227	64,960	69,997	(43,364)	14,692	12,866	546,159
Income tax expense (benefit)	65,019	89,120	22,073	27,763	16,188	5,109	(11,521)	213,751
Minority interest	(539)	-	-	-	-	-	(6,646)	(7,185)
Income from continuing operations	140,301	133,107	42,887	42,234	(59,552)	9,583	31,033	339,593
Loss on discontinued operations	-	-	-	-	-	-	(1,770)	(1,770)
Net income (loss)	\$ 140,301	133,107	42,887	42,234	(59,552)	9,583	29,263	337,823
Assets	\$ 10,597,631	9,216,033	2,957,847	3,067,424	2,532,206	705,055	(517,958)	28,558,238
Net loans and leases ¹	6,887,973	6,349,615	2,161,681	2,381,139	1,691,556	328,689	119,708	19,920,361
Deposits	7,104,029	7,637,559	2,555,114	2,539,140	1,763,986	452,691	(1,155,824)	20,896,695
Shareholder's equity	725,352	956,091	194,290	240,750	375,303	52,224	(3,987)	2,540,023
2002:								
Net interest income	\$ 296,194	377,916	124,914	115,990	110,717	24,556	(15,145)	1,035,142
Provision for loan losses	41,300	17,000	4,750	1,950	5,000	1,070	809	71,879
Net interest income after provision for loan losses	254,894	360,916	120,164	114,040	105,717	23,486	(15,954)	963,263
Noninterest income	199,727	78,435	28,071	19,115	34,222	1,719	15,525	376,814
Noninterest expense	310,097	238,180	81,854	69,033	100,123	10,257	49,384	858,928
Income from continuing operations before income taxes and minority interest	144,524	201,171	66,381	64,122	39,816	14,948	(49,813)	481,149
Income tax expense (benefit)	42,420	81,035	22,607	25,481	14,189	5,300	(23,330)	167,702
Minority interest	(1,153)	-	-	-	-	-	(2,507)	(3,660)
Income from continuing operations	103,257	120,136	43,774	38,641	25,627	9,648	(23,976)	317,107
Loss on discontinued operations	-	-	-	-	-	-	(28,460)	(28,460)
Income before cumulative effect adjustment	103,257	120,136	43,774	38,641	25,627	9,648	(52,436)	288,647
Cumulative effect adjustment	-	-	-	-	-	-	(32,369)	(32,369)
Net income (loss)	\$ 103,257	120,136	43,774	38,641	25,627	9,648	(84,805)	256,278
Assets	\$ 10,529,580	8,804,855	2,683,207	2,925,044	2,767,660	647,887	(1,792,544)	26,565,689
Net loans and leases ¹	6,714,289	6,129,171	1,849,704	1,978,623	1,917,504	320,958	129,594	19,039,843
Deposits	7,116,514	6,970,139	2,348,623	2,486,949	1,910,889	458,702	(1,159,836)	20,131,980
Shareholder's equity	682,287	978,414	173,246	232,737	440,929	45,377	(179,147)	2,373,843

	Zions First National Bank and Subsidiaries	California Bank & Trust	Nevada State Bank	National Bank of Arizona	Vectra Bank Colorado	The Commerce Bank of Washington	Other	Consoli- dated Company
2001:								
Net interest income	\$ 302,469	343,736	114,273	102,950	86,445	21,847	(21,956)	949,764
Provision for loan losses	41,900	9,250	10,080	1,500	9,350	1,278	(167)	73,191
Net interest income after provision for loan losses	260,569	334,486	104,193	101,450	77,095	20,569	(21,789)	876,573
Noninterest income	234,798	91,175	23,719	16,123	27,490	1,203	17,680	412,188
Noninterest expense	286,789	251,659	79,951	64,110	94,253	9,429	49,902	836,093
Income from continuing operations before income taxes and minority interest	208,578	174,002	47,961	53,463	10,332	12,343	(54,011)	452,668
Income tax expense (benefit)	69,900	76,485	16,350	21,412	6,947	4,206	(33,413)	161,867
Minority interest	(2,053)	-	-	-	-	-	(5,745)	(7,798)
Income from continuing operations	140,731	97,537	31,611	32,051	3,385	8,137	(14,853)	298,599
Loss on discontinued operations	-	-	-	-	-	-	(8,420)	(8,420)
Income before cumulative effect adjustment	140,731	97,537	31,611	32,051	3,385	8,137	(23,273)	290,179
Cumulative effect adjustment	(5,318)	(1,284)	(616)	-	59	-	-	(7,159)
Net income (loss)	\$ 135,413	96,253	30,995	32,051	3,444	8,137	(23,273)	283,020
Assets	\$ 8,580,293	8,366,328	2,480,884	2,605,665	2,639,118	529,395	(897,519)	24,304,164
Net loans and leases ¹	6,062,313	5,707,772	1,514,546	1,796,279	1,849,683	294,443	85,802	17,310,838
Deposits	5,318,078	6,772,735	2,139,606	2,193,050	1,763,613	381,623	(727,015)	17,841,690
Shareholder's equity	636,266	988,327	160,953	210,920	439,115	38,256	(192,968)	2,280,869

¹Net of unearned income and fees, net of related costs.

25. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Financial information by quarter for 2003 and 2002 is as follows (*in thousands, except per share amounts*):

	Quarters				Year
	First	Second	Third	Fourth	
2003:					
Gross interest income	\$ 349,399	353,537	349,392	347,060	1,399,388
Net interest income	266,208	273,953	277,079	278,254	1,095,494
Provision for loan losses	17,550	18,150	18,260	15,980	69,940
Noninterest income	96,361	100,805	190,176	102,753	490,095
Noninterest expense	213,986	216,403	245,506	217,967	893,862
Impairment loss on goodwill	-	-	75,628	-	75,628
Income from continuing operations					
before income taxes and minority interest	131,033	140,205	127,861	147,060	546,159
Income from continuing operations	87,376	92,408	64,199	95,610	339,593
Income (loss) on discontinued operations	328	17	(2,115)	-	(1,770)
Net income	87,704	92,425	62,084	95,610	337,823
Net income per common share:					
Basic:					
Income from continuing operations	\$ 0.96	1.03	0.72	1.06	3.77
Income (loss) on discontinued operations	0.01	-	(0.03)	-	(0.02)
Net income	0.97	1.03	0.69	1.06	3.75
Diluted:					
Income from continuing operations	0.96	1.02	0.71	1.05	3.74
Income (loss) on discontinued operations	0.01	-	(0.03)	-	(0.02)
Net income	0.97	1.02	0.68	1.05	3.72
2002:					
Gross interest income	\$ 364,990	368,682	366,620	355,627	1,455,919
Net interest income	256,210	259,044	261,306	258,582	1,035,142
Provision for loan losses	18,090	15,705	22,309	15,775	71,879
Noninterest income	93,826	101,605	74,815	106,568	376,814
Noninterest expense	205,254	215,708	219,158	218,808	858,928
Income from continuing operations					
before income taxes and minority interest	126,692	129,236	94,654	130,567	481,149
Income from continuing operations	82,817	84,864	65,368	84,058	317,107
Income (loss) on discontinued operations	(3,186)	(2,789)	(25,922)	3,437	(28,460)
Income before cumulative effect adjustment	79,631	82,075	39,446	87,495	288,647
Cumulative effect adjustment	(32,369)	-	-	-	(32,369)
Net income	47,262	82,075	39,446	87,495	256,278
Net income per common share:					
Basic:					
Income from continuing operations	\$ 0.90	0.92	0.71	0.92	3.46
Income (loss) on discontinued operations	(0.03)	(0.03)	(0.28)	0.04	(0.31)
Cumulative effect adjustment	(0.35)	-	-	-	(0.35)
Net income	0.52	0.89	0.43	0.96	2.80
Diluted:					
Income from continuing operations	0.89	0.92	0.71	0.92	3.44
Income (loss) on discontinued operations	(0.03)	(0.03)	(0.28)	0.04	(0.31)
Cumulative effect adjustment	(0.35)	-	-	-	(0.35)
Net income	0.51	0.89	0.43	0.96	2.78

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003, 2002, AND 2001

<i>(In thousands)</i>	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 337,823	256,278	283,020
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net (income) losses of consolidated subsidiaries	(6,545)	16,583	(33,890)
Depreciation of premises and equipment	35	75	81
Equity and fixed income securities gains, net	(86,702)	(2,686)	(6,056)
Amortization of intangibles	-	-	660
Other	6,298	(3,160)	(23,992)
Net cash provided by operating activities	250,909	267,090	219,823
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in interest-bearing deposits	20,252	(43,157)	(7,424)
Collection of advances to subsidiaries	49,853	129,745	21,885
Advances to subsidiaries	(256,288)	(168,319)	(23,689)
Proceeds from sales and maturities of equity and fixed income securities	170,028	5,035	9,531
Purchase of investment securities	(452,382)	(196,392)	(6,456)
Increase of investment in subsidiaries	(93,318)	(78,422)	(237,584)
Cash paid to reacquire minority interest	-	-	(66,044)
Other	(4,495)	(813)	19,964
Net cash used in investing activities	(566,350)	(352,323)	(289,817)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in commercial paper and other borrowings under one year	(165,422)	(17,434)	41,761
Proceeds from issuance of long-term debt	890,000	339,952	200,000
Payments on long-term debt	(264,975)	(67,941)	(67,100)
Proceeds from issuance of common stock	52,889	16,907	15,798
Payments to redeem common stock	(106,844)	(113,215)	(46,462)
Dividends paid	(91,874)	(73,232)	(73,899)
Net cash provided by financing activities	313,574	85,037	70,098
Net increase (decrease) in cash and due from banks	(1,867)	(196)	104
Cash and due from banks at beginning of year	1,867	2,063	1,959
Cash and due from banks at end of year	\$ -	1,867	2,063

The Parent paid interest of \$32.3 million in 2003, \$36.5 million in 2002, and \$32.8 million in 2001.

FORM 10-K

Annual Report includes the materials required in Form 10-K filed with the United States Securities and Exchange Commission. The integration of the documents give shareholders and other interested parties timely and comprehensive information about the Company. Portions of the Annual Report not required by the Form 10-K and are not filed as part of the Company's Form 10-K. Only the portions of the Annual Report referenced in the Form 10-K cross-reference index are incorporated in the Form 10-K. The report has not been approved or disapproved by the United States Securities and Exchange Commission, nor has the Commission passed upon its accuracy or adequacy.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from _____ to _____

**COMMISSION FILE NUMBER 0-2610
ZIONS BANCORPORATION**

(Exact name of Registrant as specified in its charter)

UTAH

(State or other jurisdiction of incorporation or organization)

87-0227400

(Internal Revenue Service Employer Identification Number)

**One South Main, Suite 1134
Salt Lake City, Utah**

(Address of principal executive offices)

84111

(Zip Code)

Registrant's telephone number, including area code: **(801) 524-4787**
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Senior Floating Rate Notes due January 14, 2005 through August 5, 2005	New York Stock Exchange
Guarantee related to 8.00% Capital Securities of Zions Capital Trust B	New York Stock Exchange
Guarantee related to Fixed/Floating Rate Subordinated Notes due May 15, 2011	New York Stock Exchange
Fixed/Floating Rate Subordinated Notes due October 15, 2011	New York Stock Exchange
8% Subordinated Notes due September 15, 2015	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Stock Purchase Rights - without par value

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes ☒ No ☐

Aggregate Market Value of Common Stock Held by Nonaffiliates at June 30, 2003 \$4,364,619,380

Number of Common Shares Outstanding at February 23, 2004 89,683,386 shares

Documents Incorporated by Reference:

Portions of 2003 Annual Report to Shareholders - Incorporated into Parts I, II and IV

Proxy Statement for the Annual Meeting of Shareholders to be held April 30, 2004 - Incorporated into Part III

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¹Incorporated by reference from the Company's Proxy Statement to be dated approximately March 15, 2004.

²None

*Financial Highlights - inside front cover of 2003 Annual Report to Shareholders.

PART I

ITEM 1. BUSINESS

DESCRIPTION OF BUSINESS

Zions Bancorporation ("the Parent") is a financial holding company organized under the laws of the State of Utah in 1955, and registered under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). Zions Bancorporation and its subsidiaries (collectively "the Company" or "Zions") own and operate six commercial banks with a total of 413 offices at year-end 2003. The Company provides a full range of banking and related services through its banking and other subsidiaries, primarily in Utah, Idaho, California, Nevada, Arizona, Colorado and Washington. Full-time equivalent employees totaled 7,896 at year-end 2003. For further information about the Company's industry segments, see "Business Segment Results" in Management's Discussion and Analysis ("MD&A") and Note 24 of the Notes to Consolidated Financial Statements. For information about the Company's foreign operations, see "Foreign Operations" in MD&A. The "Executive Summary" in MD&A provides further information about the Company.

PRODUCTS AND SERVICES

The Company focuses on maintaining community-minded banking services by continuously strengthening its core business lines of retail banking, small and medium-sized business lending, residential mortgage, and investment activities. It operates six different banks in eight western states with each bank operating under a different name and each having its own chief executive officer and management team. The banks provide a wide variety of commercial and retail banking and mortgage lending products and services. The Company provides commercial loans, lease financing, cash management, lockbox, customized draft processing, and other special financial services for business and other commercial banking customers. The Company also provides a wide range of personal banking services to individuals, including bankcard, student and other installment loans, home

equity lines of credit, checking accounts, savings accounts, time certificates of various types and maturities, trust services, safe deposit facilities, direct deposit, and 24-hour ATM access. In addition, the Company provides services to key market segments through its Women's Financial, Private Client Services, and Executive Banking Groups.

In addition to these core businesses, the Company has built specialized lines of business in capital markets and public finance and is also a leader in U.S. Small Business Administration lending. Through its six banking subsidiaries, the Company provides SBA 7(a) loans to small businesses throughout the United States and is also one of the largest providers of SBA 504 financing in the nation. The Company owns an equity interest in the Federal Agricultural Mortgage Corporation ("Farmer Mac") and is the nation's top originator of secondary market agricultural real estate mortgage loans through Farmer Mac. The Company is a leader in municipal finance advisory and underwriting services and also in the odd lot electronic bond trading market. Zions also controls four venture capital companies that provide early-stage capital, primarily for start-up companies located in the Western United States.

COMPETITION

Zions operates in a highly competitive environment as a result of the diverse financial services and products it offers. Competitors include not only other banks, thrift institutions and credit unions, but also insurance companies, finance companies, mutual funds, brokerage firms, securities dealers, investment banking companies, and a variety of other financial services and advisory companies. Most of these entities compete across geographic boundaries and provide customers with increasing access to meaningful alternatives to banking services in many significant products. In addition, many of these competitors are not subject to the same regulatory restrictions as the Company. These competitive trends are likely to continue.

SUPERVISION AND REGULATION

On July 30, 2002, the Senate and the House of Representatives of the United States (Congress) enacted the Sarbanes-Oxley Act of 2002, a law that addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. The Nasdaq Stock Market, Inc. has also proposed corporate governance rules, which intend to allow shareholders to more easily and efficiently monitor the performance of companies and their directors.

The Board of Directors of Zions Bancorporation has implemented a system of strong corporate governance practices. This system included Corporate Governance Guidelines, a Code of Business Conduct and Ethics, and charters for the Audit, Credit Review, Executive Compensation, and Nominating and Corporate Governance Committees. More information on Zions Bancorporation's corporate governance practices is available on the Zions Bancorporation website at www.zionsbancorporation.com.

The enactment of the Gramm-Leach-Bliley Act of 1999 ("the GLB Act") represented a pivotal point in the history of the financial services industry. The GLB Act swept away large parts of a regulatory framework that had its origins in the Depression Era of the 1930s. Effective March 11, 2000, new opportunities became available for banks, other depository institutions, insurance companies and securities firms to enter into business combinations that permit a single financial services organization to offer customers a more complete array of financial products and services. The GLB Act provides a new regulatory framework through a financial holding company, which has as its umbrella regulator the Federal Reserve Board ("FRB"). The functional regulation of the separately regulated subsidiaries of a holding company is conducted by the subsidiary's primary functional regulator.

The GLB Act also provides federal regulations dealing with privacy for nonpublic personal information of individual customers, which the Company and its sub-

sidaries must comply with. In addition, the Company, including its subsidiaries, is subject to various state laws that deal with the use and distribution of non-public personal information.

The Parent is a financial holding company and, as such, is subject to the BHC Act. The BHC Act requires the prior approval of the FRB for a financial holding company to acquire or hold more than 5% voting interest in any bank. The BHC Act allows, subject to certain limitations, interstate bank acquisitions and interstate branching by acquisition anywhere in the country.

The BHC Act restricts the Company's nonbanking activities to those that are permitted for financial holding companies or that have been determined by the FRB to be financial in nature, incidental to financial activities, or complementary to a financial activity. The BHC Act does not place territorial restrictions on the activities of nonbank subsidiaries of financial holding companies. The Company's banking subsidiaries, however, are subject to limitations with respect to transactions with affiliates.

The Company's banking subsidiaries are also subject to various requirements and restrictions in both the laws of the United States and the states in which the banks operate. These include:

- restrictions on the amount of loans to a borrower and its affiliates;
- the nature and amount of any investments;
- their ability to act as an underwriter of securities;
- the opening of branches; and
- the acquisition of other financial entities.

In addition, the Company's subsidiary banks are subject to either the provisions of the National Bank Act or the banking laws of their respective states, as well as the rules and regulations of the Comptroller of the Currency ("OCC"), the FRB, and the Federal Deposit Insurance Corporation ("FDIC"). They are also under the supervision of, and are subject to periodic examination by, the OCC or their respective state banking departments, the FRB, and the FDIC.

The FRB has established capital guidelines for financial holding companies. The OCC, the FDIC, and the FRB have also issued regulations establishing capital requirements for banks. Failure to meet capital requirements could subject the Company and its subsidiary banks to a variety of restrictions and enforcement remedies. See Note 21 of the Notes to Consolidated Financial Statements for information regarding capital requirements.

The U.S. federal bank regulatory agencies' risk-based capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision ("the BIS"). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines that each country's supervisors can use to determine the supervisory policies they apply. In January 2001, the BIS released a proposal to replace the 1988 capital accord with a new capital accord that would set capital requirements for operational risk and materially change the existing capital requirements for credit risk and market risk exposures. Operational risk is defined by the proposal to mean the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The 1988 capital accord does not include separate capital requirements for operational risk.

The BIS has stated that its objective is to finalize a new capital accord for implementation by the member countries at year-end 2006 ("Basel II"). Since the accord is not yet final, the ultimate timing for implementation and the specifics of capital assessments for addressing operational risk are still uncertain. However, the Company expects that a new capital accord will eventually be adopted by the BIS and implemented by the U.S. federal bank regulatory agencies. The Company is evaluating what effect the new capital requirements that may arise out of a new BIS capital accord may have on its minimum capital requirements. U.S. banking regulators have stated that the approximately ten largest U.S. bank holding companies will be required to adopt the new standard, and that others may "opt in." The Company does not cur-

rently expect to be an early "opt in" bank and does not have in place the data collection and analytic capabilities necessary to adopt Basel II. However, it believes that competitive advantages afforded to banks that do adopt may make it necessary for the Company to adopt the new Basel II approach at some point, and it is currently investing in the required capabilities.

Dividends payable by the subsidiary banks to the Parent are subject to various legal and regulatory restrictions. These restrictions and the amount available for the payment of dividends at year-end are summarized in Note 21 of the Notes to Consolidated Financial Statements.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 provides that the Company's bank subsidiaries are liable for any loss incurred by the FDIC in connection with the failure of an affiliated insured bank.

The Federal Deposit Insurance Corporation Improvement Act of 1991 prescribes standards for the safety and soundness of insured banks. These standards relate to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, as well as other operational and management standards deemed appropriate by the federal banking regulatory agencies.

The Community Reinvestment Act ("CRA") requires banks to help serve the credit needs in their communities, including credit to low and moderate income individuals. Should the Company or its subsidiaries fail to adequately serve their communities, penalties may be imposed including denials of applications to add branches, relocate, add subsidiaries and affiliates, and merge with or purchase other financial institutions. The GLB Act requires "satisfactory" or higher CRA compliance for insured depository institutions and their financial holding companies for them to engage in new financial activities. If one of the Company's banks should receive a CRA rating of less than satisfactory, the Company could lose its status as a financial holding company.

On October 26, 2001, the President signed into law comprehensive anti-terrorism legislation known as the USA PATRIOT Act of 2001 (the "USA Patriot Act"). Title III of the USA Patriot Act substantially broadens the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, defining new crimes and related penalties, and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department ("the Treasury") has issued a number of implementation regulations, which apply various requirements of the USA Patriot Act to financial institutions. The Company's bank and broker-dealer subsidiaries and mutual funds and private investment companies advised or sponsored by the Company's subsidiaries must comply with these regulations. These regulations also impose new obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing.

Failure of a financial institution to comply with the USA Patriot Act's requirements could have serious legal and reputational consequences for the institution. The Company has adopted appropriate policies, procedures and controls to address compliance with the requirements of the USA Patriot Act under the existing regulations and will continue to revise and update its policies, procedures and controls to reflect changes required by the Act and the Treasury's regulations.

Regulators and Congress continue to enact rules, laws, and policies to regulate the financial services industry and to protect consumers. The nature of these laws and regulations and the effect of such policies on future business and earnings of the Company cannot be predicted.

GOVERNMENT MONETARY POLICIES

The earnings and business of the Company are affected not only by general economic conditions, but also by fiscal and other policies adopted by various governmental authorities. The Company is particularly affected by the policies of the FRB, which

affects the national supply of bank credit. The methods of monetary policy available to the FRB include:

- open-market operations in U.S. government securities;
- adjustment of the discount rates or cost of bank borrowings;
- imposing or changing reserve requirements against member bank deposits; and
- imposing or changing reserve requirements against certain borrowings by banks and their affiliates.

These methods are used in varying combinations to influence the overall growth or contraction of bank loans, investments and deposits, and the interest rates charged on loans or paid for deposits.

In view of the changing conditions in the economy and the effect of the FRB's monetary policies, it is difficult to predict future changes in loan demand, deposit levels and interest rates, or their effect on the business and earnings of the Company. FRB monetary policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

ITEM 2. PROPERTIES

At year-end 2003, the Company operated 411 domestic branches, of which 157 are owned and 255 are on leased premises. The Company also leases its headquarters offices in Salt Lake City, Utah. Other operations facilities are variously owned or leased. The annual rentals under long-term leases for leased premises are determined under various formulas and factors, including operating costs, maintenance, and taxes. For information regarding rental payments, see Note 20 of the Notes to Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

The information contained in Note 20 of the Notes to Consolidated Financial Statements is incorporated herein by reference.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

The Company's common stock is traded on the NASDAQ National Market under the symbol "ZION." The last reported sale price of the common stock on NASDAQ on February 23, 2004 was \$57.68 per share.

The following table sets forth, for the periods indicated, the high and low sale prices of the Company's common stock, as quoted on NASDAQ:

	2003		2002	
	High	Low	High	Low
1st Quarter	\$ 44.78	\$ 39.31	\$ 59.46	\$ 48.32
2nd Quarter	53.88	42.25	59.65	49.54
3rd Quarter	58.14	49.89	55.34	42.30
4th Quarter	63.86	55.95	44.37	34.14

As of February 23, 2004, there were 6,506 holders of record of the Company's common stock.

DIVIDENDS

Frequency and amount of dividends paid during the last two years:

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
2003	\$.21	\$.21	\$.30	\$.30
2002	.20	.20	.20	.20

On January 20, 2004, the Company's Board of Directors approved a dividend of \$.30 per share payable on February 25, 2004.

SHARE REPURCHASES

The following table summarizes the Company's share repurchases for 2003.

Period	Total number of shares repurchased ¹	Average price paid per share	Approximate dollar value of shares that may yet be purchased under the plan ²
January	94,818	\$ 41.44	\$ 23,660,934
February	188,199	41.56	15,838,666
March	295,463	42.22	3,363,521
April	109,670	46.06	48,311,865
May	271,395	49.32	34,925,965
June	265,103	52.03	21,132,801
July	213,925	53.38	9,714,369
August	68,536	56.44	5,846,205
September	70,522	56.51	1,861,087
October	118,744	59.71	44,446,914
November	233,588	62.44	29,862,372
December	153,138	61.65	20,421,445
Year	2,083,101	51.29	

¹All shares were purchased as part of publicly announced plans.

²Prior to January 2003, the Company's Board of Directors had authorized a stock buyback plan to repurchase a total of \$50 million of the Company's common shares. As of January 1, 2003, \$27.6 million were yet to be purchased. On each of April 25, 2003, October 17, 2003, and January 20, 2004, the Board authorized \$50 million for share repurchases, superseding the previous authorizations.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2003 with respect to the shares of the Company's common stock that may be issued under existing equity compensation plans.

Plan Category ¹	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans Approved by Security Holders:			
Zions Bancorporation 1996 Non-Employee Directors Stock Option Plan	207,689	\$ 49.71	141,000
Zions Bancorporation Key Employee Incentive Stock Option Plan	5,622,216	50.62	2,569,910 ²
Equity Compensation Plans Not Approved by Securities Holders:			
1998 Non-Qualified Stock Option and Incentive Plan	1,157,010	49.88	1,983,472
Total	6,986,915		4,694,382

¹The table does not include information for equity compensation plans assumed by the Company in mergers. A total of 583,730 shares of common stock with a weighted average exercise price of \$37.98 were issuable upon exercise of options granted under plans assumed in mergers and outstanding at December 31, 2003. The Company cannot grant additional awards under these assumed plans.

²On May 26, 2000, the Company's shareholders approved an amendment to the Key Employee Incentive Stock Option Plan which automatically makes available for options under the Plan, in any one calendar year, two percent (2%) of the issued and outstanding shares of the Company's common stock as of the first day of each calendar year for which the Plan is in effect. Any shares of common stock available in any year using the two percent (2%) formula that are not granted under the Plan are available for use under the terms of the Plan in subsequent years. The common stock available for issuance under the Plan pursuant to the two percent (2%) per year formula does not include common stock which the Company is now or may become obligated to issue as a result of an acquisition, merger or reorganization involving the Company.

ITEM 9A. CONTROLS AND PROCEDURES

An evaluation was carried out by the Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, the Chief Executive Officer and Chief

Financial Officer concluded that, as of December 31, 2003, these disclosure controls and procedures were effective. There have been no changes in the Company's internal control over financial reporting during the fourth quarter of 2003 that have materially affected or are reasonably likely to affect the Company's internal control over financial reporting.

PART III

Incorporated by reference from the Company's Proxy Statement to be dated approximately March 15, 2004. Information regarding securities authorized for issuance under equity compensation plans is included in Item 5 under "Equity Compensation Plan Information."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

The Company's Consolidated Financial Statements and report of independent auditors are set forth on pages 72-118.

Financial Statement Schedules – All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, the required information is contained elsewhere in the Form 10-K, or the schedules are inapplicable and have therefore been omitted.

Exhibits – The index of exhibits and any exhibits filed as part of the 2003 Form 10-K are accessible at no cost on the Company's website at www.zionsbancorporation.com or through the United States Securities and Exchange Commission's website at www.sec.gov. Copies of exhibits may also be requested from the Company's investor relations department.

Reports on Form 8-K filed during the fourth quarter of 2003:

October 17, 2003 – Items 7 and 12. Exhibit 99.1. A copy of a press release dated October 16, 2003 announcing third quarter 2003 earnings.

October 23, 2003 – Items 7 and 9. Exhibit 99.1. A copy of a press release dated October 17, 2003 announcing the Board of Directors' authorization of a \$0.30 dividend payable November 26, 2003 and an authorization to repurchase \$50 million of the Company's common stock, superseding all previous buyback authorizations.

November 4, 2003 – Item 5. On October 16, 2003, Zions Bancorporation announced, via press release, its financial results for the quarter ended September 30, 2003. Includes excerpts from the press release.

November 5, 2003 – Item 7. Filing exhibits to its Registration Statement on Form S-3 (File No. 333-107746), which was filed on August 7, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 15, 2004

ZIONS BANCORPORATION

By /s/ Harris H. Simmons

HARRIS H. SIMMONS, Chairman,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

March 15, 2004

/s/ Harris H. Simmons

HARRIS H. SIMMONS, Chairman, President,
Chief Executive Officer and
Director, (Principal Executive Officer)

/s/ Nolan Bellon

NOLAN BELLON, Controller,
(Principal Accounting Officer)

/s/ R. D. Cash

R. D. CASH, Director

/s/ Richard H. Madsen

RICHARD H. MADSEN, Director

/s/ Stephen D. Quinn

STEPHEN D. QUINN, Director

/s/ Shelley Thomas Williams

SHELLEY THOMAS WILLIAMS, Director

/s/ Doyle L. Arnold

DOYLE L. ARNOLD, Secretary, Executive
Vice President, and Chief Financial Officer,
(Principal Financial Officer)

/s/ Jerry C. Atkin

JERRY C. ATKIN, Director

/s/ Patricia Frobes

PATRICIA FROBES, Director

/s/ Roger B. Porter

ROGER B. PORTER, Director

/s/ L. E. Simmons

L. E. SIMMONS, Director

Officers & Directors

ZIONS BANCORPORATION

CORPORATE OFFICERS

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Chairman, President
and Chief Executive Officer

Executive Vice Presidents
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Colorado Administration

A. SCOTT ANDERSON
Utah and Idaho Administration

DOYLE L. ARNOLD
Chief Financial Officer

DAVID E. BLACKFORD
California Administration

DANNE L. BUCHANAN
E-Commerce

GERALD J. DENT
Credit Administration

MICHAEL DEVICO
Operations and Information
Systems

GEORGE FEIGER
Wealth Management

JOHN J. GISI
Arizona Administration

W. DAVID HEMINGWAY
Capital Markets and Investments

WILLIAM E. MARTIN
Nevada Administration

STANLEY D. SAVAGE
Washington Administration

MERRILL WALL
Human Resources

Senior Vice Presidents
NOLAN BELLON
Controller

RALPH HENDRIX
Credit Examination

CLARK B. HINCKLEY
Investor Relations

DEAN L. MAROTTA
Internal Audit

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RONALD L. JOHNSON
JENNIFER R. JOLLEY
MEL LEIBSLA
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Chief Executive Officer
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Salt Lake City, Utah

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President and
Chief Executive Officer
Qwest Corporation
Salt Lake City, Utah

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Senior Vice President
The Irvine Company
Newport Beach, California

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Retired/Former Chairman,
President and CEO
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Salt Lake City, Utah

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IBM Professor of Business
and Government,
Harvard University
Cambridge, Massachusetts

STEPHEN D. QUINN^{2,5}
Retired/Former Managing
Director and General Partner
Goldman, Sachs & Co.
New Canaan, Connecticut

HARRIS H. SIMMONS¹
Chairman, President and
Chief Executive Officer
of the Company and
Chairman of the Board of
Zions First National Bank
Salt Lake City, Utah

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President
SCF Investment Partners
Houston, Texas

SHELLEY THOMAS WILLIAMS^{4,5}
Senior Director of Communications
and Public Affairs
Huntsman Cancer Institute
Salt Lake City, Utah

Directors Emeriti
GRANT R. CALDWELL
ROY W. SIMMONS
I. J. WAGNER

¹ Member, Executive Committee

² Member, Audit Committee

³ Member, Executive Compensation Committee

⁴ Member, Credit Review Committee

⁵ Member, Nominating and Corporate
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ZIONS FIRST NATIONAL BANK

SALT LAKE CITY, UTAH

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5 Member, CRA Committee

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COLORADO, N.A.**

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SEATTLE, WASHINGTON

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Denver, Colorado

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Managing Director
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Seattle, Washington

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Seattle, Washington

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Seattle, Washington

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Investor
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The Commerce Bank
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Seattle, Washington

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Saltchuk Resources, Inc.
Seattle, Washington

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Retired/Former
Chief Executive Officer
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Washington, N.A.
Mercer Island, Washington

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President and
Chief Executive Officer
Bessemer Trust Company
New York, New York

PATRICK W. KUO
President and
Chief Executive Officer
Cascadia Development
Corporation
Bellevue, Washington

EARL P. LASHER, III
Senior Partner
Lasher, Holzapfel, Sperry
& Ebberson
Seattle, Washington

LAURIE MCDONALD JONSSON
President and
Chief Executive Officer
Stellar International
Seattle, Washington

WILLIAM RADEMAKER, JR.
Private Investor
Seattle, Washington

WILLIAM J. REX
Retired/Former
Managing Director
Prudential Securities, Inc.
Seattle, Washington

ROBERT R. RICHARDS
Economist
North Bend, Washington

FAYE SARKOWSKY
Community Volunteer
Seattle, Washington

HARRIS H. SIMMONS
Chairman, President and
Chief Executive Officer
Zions Bancorporation
Salt Lake City, Utah

DAVID C. WYMAN
Wyvest
Seattle, Washington

OTHER AFFILIATES

**GRANT HATCH
& ASSOCIATES, INC.**
NORMAN D. SQUIRES
President

NETDEPOSIT, INC.
DANNE L. BUCHANAN
Chief Executive Officer

**NEVADA STATE BANK
INSURANCE SERVICES**
SHANE L. ROGERS
President

**PROVIDUS SOFTWARE
SOLUTIONS, INC.**
ANDREW EVANS
Chief Executive Officer

**WESTERN NATIONAL
TRUST COMPANY**
THOMAS L. TRINE
President

ZIONS CREDIT CORPORATI
ALAN RALPHS
President

**ZIONS INSURANCE
AGENCY, INC.**
A. SCOTT ANDERSON
Chairman and President

**ZIONS INVESTMENT
SECURITIES, INC.**
JAMES R. COOPER
Chief Operating Officer

**ZIONS LIFE INSURANCE
COMPANY**
A. SCOTT ANDERSON
Chairman and President

**ZIONS MANAGEMENT
SERVICES COMPANY**
HARRIS H. SIMMONS
Chairman, President and
Chief Executive Officer

Vice Chairmen
DOYLE L. ARNOLD
GERALD J. DENT
MICHAEL DEVICO
W. DAVID HEMINGWAY

Corporate Information

Executive Offices

One South Main Street
Salt Lake City, Utah 84111
(801) 524-4787

Annual Shareholders' Meeting

Friday, April 30, 2004, 1:30 p.m.
Salt Lake City Marriott
75 South West Temple
Salt Lake City, Utah 84101

Transfer Agent

Zions First National Bank
Corporate Trust Department
10 East South Temple, 12th Floor
Salt Lake City, Utah 84111
(801) 524-4624

Registrar

Zions First National Bank
One South Main Street
Salt Lake City, Utah 84111

Auditors

Ernst & Young LLP
60 East South Temple, Suite 800
Salt Lake City, Utah 84111

NASDAQ National Market Symbol

ZION

Number of Common Shareholders

6,577 as of December 31, 2003

Dividend Reinvestment Plan

Shareholders can reinvest their cash dividends in additional shares of our common stock at the market price. Shareholders, as well as brokers and custodians who hold our common stock for clients, can obtain a prospectus of the plan by writing to:

Zions Bancorporation
Dividend Reinvestment Plan
P.O. Box 30880
Salt Lake City, Utah 84130

Credit Ratings

MOODY'S INVESTORS SERVICE
Outlook Stable
LT Senior Debt A3
Subordinated Debt Baa1
Trust Preferred Baa1

STANDARD & POOR'S

Outlook Positive
LT Senior Debt BBB
Subordinated Debt BBB-
ST/Commercial Paper A-2
Trust Preferred BBB-

FITCH

Outlook Stable
LT Senior Debt A-
Subordinated Debt BBB+
ST/Commercial Paper F1
Trust Preferred BBB+

Option Market Makers

Chicago Board Options Exchange
Philadelphia Stock Exchange

Selected Index Memberships

S&P 500
S&P Global 100
KBW Bank Sector
Nasdaq Financial 100

Investor Relations

For financial information about the Corporation—analysts, investors and news media representatives should contact:

Clark B. Hinckley
(801) 524-4787

Zions Bancorporation

News Releases

Our news releases are available on our website at:
www.zionsbancorporation.com

To be added to the e-mail distribution list, please contact us at:
investor@zionsbank.com

Internet Sites

ZIONS BANCORPORATION:
www.zionsbancorporation.com

ZIONS FIRST NATIONAL BANK:
www.zionsbank.com

CALIFORNIA BANK & TRUST:
www.calbanktrust.com

NEVADA STATE BANK:
www.nsbank.com

NATIONAL BANK OF ARIZONA:
www.nbarizona.com

VECTRA BANK COLORADO:
www.vectrabank.com

THE COMMERCE BANK
OF WASHINGTON:
www.tcbwa.com

FIXED INCOME TRADING
www.oddlot.com
www.govrate.com

ZIONS BANCORPORATION

One South Main Street - Salt Lake City, Utah 84111

www.zionsbancorporation.com

```
function showRelations(resourceID) { var thisPopup = document.getElementById(resourceID); var
position = getPosition(document.getElementById(resourceID).parentElement); thisPopup.filters.item
(0).Apply(); thisPopup.style.top = position.y; thisPopup.style.left = position.x + 125;
thisPopup.style.display = "block"; thisPopup.filters.item(0).Play(); } function hideRelations(resourceID)
{ var thisPopup = document.getElementById(resourceID); thisPopup.style.display = "none"; } function
getPosition(obj){ try { var position = {x:0,y:0}; do{ position.x += obj.offsetLeft; position.y +=
obj.offsetTop; obj = obj.offsetParent; } while(obj) return position; } catch (e) { } }
```



Moody's Investors Service

Global Credit Research

Rating Action

17 FEB 2005

Rating Action: Nevada State Bank

MOODY'S ASSIGNS RATINGS TO NEVADA STATE BANK (DEPOSITS A2)

New York, February 17, 2005 -- Moody's Investors Service has assigned A2 and Prime-1 ratings for deposits and a C+ bank financial strength rating to Nevada State Bank, a subsidiary of Zions Bancorporation. The rating outlook is stable.

Moody's noted that the ratings assigned to Nevada State Bank match the existing ratings of Zions First National Bank, another bank subsidiary of Zions Bancorporation. Nevada State Bank and Zions First National Bank are subject to common corporate management oversight and strategic direction. The banks also share a common operating platform, and benefit from implicit cross-support for each other given the FDIC's cross-guarantee provisions. The ratings of Zions Bancorporation and its banking subsidiaries are based on solid net interest margin, excellent asset quality, and good parent company liquidity. Issues constraining the ratings are lower than average core profitability on a consolidated basis and significant commercial real estate concentration. Moody's also noted that despite its heavily competitive markets, Zions enjoys a solid core deposit base.

The following ratings have been assigned to Nevada State Bank:

- long-term deposits, long-term OSO and issuer ratings at A2
- short-term deposits and short-term OSO ratings at Prime-1
- bank financial strength rating at C+

Nevada State Bank, headquartered in Las Vegas, Nevada, had assets of \$3.3 billion as of December 31, 2004. Its parent company, Zions Bancorporation, headquartered in Salt Lake City, Utah, reported total assets of \$31.5 billion at December 31, 2004.

New York
 Gregory W. Bauer
 Managing Director
 Financial Institutions Group
 Moody's Investors Service
 JOURNALISTS: 212-553-0376
 SUBSCRIBERS: 212-553-1653

New York
 Rosemarie Conforte
 Senior Vice President
 Financial Institutions Group
 Moody's Investors Service
 JOURNALISTS: 212-553-0376
 SUBSCRIBERS: 212-553-1653

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MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

March 23, 2005

Alicia McOsker
City of Las Vegas
400 Stewart Avenue, 6th Floor
Las Vegas, NV 89101

RE: City of Las Vegas Economic Development Revenue Bonds (Goodwill Industries of Southern Nevada, Inc.)

Dear Alicia:

As our engagement with the City of Las Vegas (the "City") requires, we have reviewed information provided to us in regards to the above-captioned financing. The scope of our engagement was to review financial information to determine if Goodwill Industries of Southern Nevada, Inc. ("Goodwill") has sufficient financial resources to repay Bonds issued on its behalf. Additionally, we have been asked to review the information to support the finding that Goodwill has sufficient resources to place the project into operation.

The Transaction

It is our understanding that the City intends to issue Economic Development Bonds (the "Bonds") on behalf of Goodwill to provide funding for the purchase and equipping of a 71,000 sq. ft. facility located at the intersection of Cheyenne and Martin Luther King Blvd. (the "Project").

The Bonds will be secured by a direct pay letter of credit issued by Nevada State Bank to provide credit and liquidity support. Nevada State Bank is rated A2 by Moody's Investors Service. A copy of the commitment letter contained in the bond application states the term of the letter of credit is five years with automatic annual renewals thereafter. The maximum amount of the letter of credit is \$9.8 million, which includes the interest component.

Financial Review

We were provided with information regarding Nevada State Bank for the years 1999 to 2003, and the financial statements for Goodwill for years 2002 and 2003 along with unaudited financial estimates for 2004. Additionally we reviewed information contained in the bond application.

Nevada State Bank is a subsidiary of Zions Bancorporation and had net income of \$42.9 million and total assets over \$2.9 billion as of December 31, 2003. Moody's outlook for the bank's rating is stable.

According to the information we received, Goodwill had total assets over \$2,700,000 as of December 31, 2003. Current assets were \$1,591,022, of which \$934,975 was inventory which may not be quickly convertible to cash. Goodwill's primary source of income has been retail and salvage sales which reached \$10.9 million in 2004. Gross profit on sales was \$1.13 million.

Various conditions are imposed on the finances of Goodwill by the letter of credit. Among them is the requirement that Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") cover debt service in any 12-month period by 1.2 times. Also, Goodwill must maintain adequate cash balances, fund a debt service reserve account and limit future borrowing. These restrictions should provide further assurance that Goodwill will maintain sufficient resources to repay the bonds and operate the facility.

Conclusions and Observations

Based on our review, it appears Goodwill and the letter of credit provider (Nevada State Bank) have sufficient financial resources to repay the Bonds. It is our understanding that Bonds will only be issued in an amount equal to the letter of credit and our finding is based on that fact.

It also appears from our review that Goodwill has sufficient financial resources to place the project into operation and continue operating it. Economic cycles may have an impact on the ability of Goodwill to generate revenue. Such factors, and their impact, are impossible to predict at this time.

We have based our conclusions on the information provided to us. If you require additional information or have any questions please contact me.

Sincerely,

Martin R. Johnson
President

cc: John Swendseid
Kurt Kaufman
Andy Artusa

Economic Impact of Goodwill in Clark County

The relocation of Goodwill's current facility into North Las Vegas will:

1. Initially bring 150 existing employees earning \$2.5M in wages.
2. Create 103 new jobs earning \$1.9M in new wages by 2009.
3. Initially bring 50 existing Professional level positions earning \$1.3M in wages.
4. Create 40 new Professional level positions earning \$1.1M in new wages by 2009.
5. By 2009, this facility will employ at least 253 employees earning \$4.4M in wages.

Primary Reasons that Goodwill Selected the Cheyenne Market Place:

1. Location offers cost effective combination of office, warehouse & retail space that will result in lower operating costs.
2. Location offers access to excellent communication systems to centrally manage a 14-store operation and vocational training & placement services.
3. Ability to greatly increase training in our Computer Training Center from 75 people per year to over 350 people trained annually.
4. Computer Training Center will be conveniently located near businesses requiring skilled employees.
5. Excellent retail location in a commercial shopping center with visibility from heavily traveled Cheyenne Ave.
6. Location is within a four-mile radius of most employees currently working in our corporate office & processing center.
7. Facility is centrally located to cost effectively distribute merchandise to stores and retrieve donations centers for processing.



GOODWILL

of Southern Nevada, Inc.

April 5, 2005

2005 Board of Directors

Edd Kluth, Chairman
Fast Signs
 Larry R. Seedig, Vice Chair
USAA Savings Bank
 Anita Stockbauer, Secretary
University of NV, Las Vegas
 David Sommer, Treasurer
Certified Public Accountant
 Stavros Anthony, Ph.D.
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Station Casinos
 Arnold Ross Stalk
Metro Development Group
 Kay Sholine-White
Michael White Concrete
 Jim Stroh, AIA
James E. Stroh Architect, Inc.
 Carroll Varner
City of Las Vegas-retired
 Mike Zimmer
Purafilter2000
 Steve Chartrand
Goodwill, President/CEO

Honorable Mayor Oscar B. Goodman
City of Las Vegas
400 East Stewart Street
Las Vegas, Nevada 89101

Dear Mayor Goodman:

I am a Board member of Goodwill of Southern Nevada, Inc. I have known and respected your work in the community for many years. I am writing to request your support for **AGENDA ITEM #68** on the Las Vegas City Council meeting AGENDA for tomorrow, April 6, 2005.

AGENDA ITEM #68 is a resolution for the City of Las Vegas to serve as the conduit issuer for Economic Development Bonds to fund our **Goodwill Good Neighbor Facility**. City staff is recommending approval. These bonds will not represent an indebtedness of the City and will be repaid pursuant to an agreement between the City and Goodwill and from moneys drawn from an irrevocable letter of credit.

The Goodwill Good Neighbor Facility will be:

- A state of the art 74,000 square foot education & training based center.
- An on-site retail, warehouse, administrative & computer training facility, which will allow Goodwill to train hundreds of people with disabilities each year.
- A one-stop training and job placement center for fellow citizens with disabilities living throughout Southern Nevada.

The **Goodwill Good Neighbor** facility is currently under construction at the corner of Cheyenne Avenue and Martin Luther King Blvd, North Las Vegas, Nevada.

The purpose of Goodwill is to enable our citizens with disabilities to start new careers and lives of independence. The sale of donated "gently used" merchandise in Goodwill's seven retail stores supports the required education, job training and job placement services for our citizens with disabilities. Goodwill's business focus has enabled Goodwill to become the fastest growing workforce development service provider since 1997 and one of the most dynamic human service organizations serving our community. As a direct result of Goodwill's efforts, over 700 people have become employed and transitioned from being recipients of welfare to tax payers; additional services have been provided to over 2,800 people.

Thank you for your consideration of this item. Both Steve Chartrand, President & CEO of Goodwill, and I are available to answer any questions that you or your staff may have. I can be reached at anytime at 702-604-4699.

Once again, thank you on behalf of our Board of Directors, our staff and the people of Southern Nevada.

Sincerely,

Arnold Ross Stalk, Member of Board of Directors
Goodwill of Southern Nevada, Inc.

Submitted at City Council

Date 4/6/05 Item #68