ZIONS BANCORPORATION

Doyle L. Arnold
Vice Chairman
Chief Financial Officer

March 6, 2009

CONFIDENTIAL TREATMENT REQUESTED

Mr. Neil M. Barofsky
Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, DC 20220

Dear Mr. Barofsky:

This letter is in response to your letter dated February 6, 2009, requesting information regarding Zions Bancorporation's ("Zions" or the "Company") segregation of and actual and intended use of "TARP funds" and for "addressing the executive compensation requirements associated with the funding."

Zions is a multibank holding company that owns and operates eight banks in ten Western states with a combined total of approximately $55 billion in assets, of which $43 billion are loans. Zions received $1.40 billion of proceeds from preferred stock issued to the United States Department of the Treasury (the "Treasury") on November 14, 2008, under the Capital Purchase Program ("CPP") established under the Troubled Asset Relief Program ("TARP") and the Emergency Economic Stabilization Act ("EESA").

Use of TARP Funds

Preliminary Comment. At the outset, we note that neither the documents relating to the TARP preferred stock issuance nor any regulations or guidance issued by the Treasury Department instructed us to segregate CPP funds or to track their usage. Indeed, it is unclear how a program designed to utilize segregated TARP funds could work effectively as a practical matter. Financial institutions do not generally segregate components of capital and then utilize one particular component of capital for one purpose and another component for another purpose. All components of capital support an institution's ability to absorb losses, make new loans, and grow assets (including supporting the FDIC by acquiring failed banks). Further, making new loans requires more than just capital; it also requires funding from deposits and other funding sources. If Zions and other banks only loaned capital without leveraging it to a reasonable degree, the interest rate charged on those loans would have to be much higher than those prevailing in the market. For example, to cover the required 5% after-tax dividend on the CPP preferred would require approximately an 8% interest rate on a loan funded only with CPP proceeds – and this assumes no reserves for loan losses or any operating expense. We actually are extending loans today at rates much below 8% - approximately 4.4% on average on all new loans of

One South Main, 15th Floor, Salt Lake City, UT 84111 | (b) (6) | (b) (6)

all types made in January 2009. If we were required to make loans only from segregated CPP funds, it is unlikely that there would be any economically rational basis for us to utilize the funds for lending. If, as was surely intended, we make loans from our combined base of capital and other funding sources, the idea of tracking segregated funds becomes meaningless.

Accordingly, this letter describes the Company's general activities during the relevant time period, including its general use of CPP funds. In doing so, we note that there are constraints on the Company, including the availability of funding in addition to capital, and we describe how our receipt of CPP funds has helped alleviate some of those constraints.

Capitalization of Bank Subsidiaries. Within 45 days of receiving the CPP, Zions invested $1.188 billion, or 85% of the funds received, in its subsidiary banks to bolster their regulatory capital ratios and remove one major constraint on increased lending that the frozen capital markets had forced it to impose. Zions invested the funds in preferred stock newly issued to the parent company by these banks, which mirrored as closely as possible the terms, such as the dividend rate, of the CPP preferred. This Tier 1 capital was distributed as follows:

- Amegy Bank (Texas): $80 million
- California Bank & Trust (California): $158 million
- National Bank of Arizona: $430 million
- Nevada State Bank: $260 million
- Vectra Bank (Colorado): $10 million
- Zions First National Bank (Utah and Idaho): $250 million

Zions permitted its banks to repay $570 million of subordinated debt owed to the parent company (no CPP funds were used to repay external debt), some of which either at the time did not, or soon will not any longer, fully qualify for Tier 2 capital treatment, which reduced their cost of borrowed funds. Thus, there was an increase of $1.188 billion of Tier 1 capital at our banks, and $618 million of total regulatory capital. The remaining $213 million, or 15% of our CPP proceeds, is being retained at the parent, pending future deployment to its subsidiary banks where most needed. The net effect of these actions was an upgrade of capital quality in our banks, and a significant overall increase in Tier 1 and Total Risk-Based capital at our banks.

Lending. Strong loan growth of $535 million in 1Q2008 and $1.1 billion in 2Q2008, combined with deteriorating loan credit quality and lagging deposit growth placed increasing strain on both the Company's capital and its funding, as noted in Table 1 (below). As a consequence, the Company instructed its affiliate banks to conserve capital and funding by holding net loan growth in 3Q2008 as close to zero as possible. These instructions were oral in management meetings, and not documented internally in writing. However, they were publicly disclosed in various communications with shareholders and others. An example of such disclosure is found in the attached transcript, together with the pertinent slide, of a presentation made by Harris H. Simmons, Chairman and CEO, at an investor conference sponsored by Lehman Brothers

on September 8, 2008 (Exhibit 1). A copy of a slide from this investor presentation is also attached (Exhibit 2). The impact of this action can clearly be seen in the pattern of loan growth, which as noted, fell to close to zero in the third quarter. Reductions in our extensive portfolio of residential housing land acquisition, development and construction loans through pay-downs and charge-offs, offset modest net growth in certain other loan types (see Table 2 below).

Table 1: Short-Term Borrowings and Capital

($ millions)	**31-Dec-08**	**30-Sep-08**	**30-Jun-08**	**31-Mar-08**
FHLB & FRB Borrowings	2,040	4,691	5,003	3,957
Other Short-Term Borrowings	1,917	1,984	,3,573	3,311
Less: Short Term Investments	2,703	1,013	1,263	2,055
Net Wholesale Borrowings	1,254	5,662	7,313	5,213
Tangible common equity ratio	5.89%	6.05% (1)	5.51%	5.73%
Tangible equity ratio	8.86%	6.60% (2)	5.97%	6.20%
Risk-based capital ratios:				
Tier 1 leverage	9.99%	7.64%	7.20%	7.18%
Tier 1 risk-based capital	10.22%	8.07%	7.45%	7.64%
Total risk-based capital	14.32%	12.30%	11.58%	11.83%

(1) Includes effect of $250 million of common equity issued in September 2008
(2) Includes (1) plus effect of $47 million of preferred equity issued in July 2008

Source: Zions Bancorporation quarterly SEC Form 10-Q's

Table 2: Loan Balances by Portfolio Type

($ millions)	12/312008	9/30/2008	6/30/2008	3/31/2008	12/312007
Loans held for sale	200	152	159	209	208
Commercial lending:					
Commercial and industrial	11,448	11,351	11,247	10,626	10,407
Leasing	431	451	492	494	503
Owner occupied	8,743	8,782	8,912	7,910	7,545
Total commercial lending	20,622	20,584	20,651	19,030	18,455
Commercial real estate:					
Construction and land dev.	7,476	7,812	7,891	7,937	7,869
Term	6,236	6,079	5,939	5,569	5,334
Total commercial real estate	13,712	13,891	13,830	13,506	13,203
Consumer:					
Home equity credit line	2,005	1,899	1,794	1,674	1,608
1-4 family residential	3,877	3,892	3,914	3,920	3,975
Construction and other consumer RE	774	769	852	910	945
Bankcard and other revolving plans	374	360	332	316	347
Other	385	411	436	440	460
Total consumer	7,415	7,331	7,328	7,260	7,335
Foreign loans	43	70	65	59	51
Total loans	41,992	42,028	42,033	40,064	39,252

Source: Zions Bancorporation 4Q2008 Press Release

The Company successfully raised $47 million of preferred stock in July 2008, and $250 million of common equity in September 2008, which raised the Company's capital ratios in the third quarter. It also took other actions to reduce wholesale funding levels. However, after the September issuance the capital and non-secured funding markets effectively closed, and the Company did not remove its internal constraint on aggregate loan growth. In late October 2008, Zions applied for nearly the maximum amount of CPP preferred stock for which it was eligible. After being orally notified approximately November 1 that its application for $1.4 billion had been approved, and even before actually receiving the CPP funds, management immediately informed its affiliate banks that the capital constraint on loan growth had been effectively removed, although they still had to maintain focus on core deposit growth to leverage that capital into new loans. We also noted in presentations to investors that we had done so; a copy of a slide from Doyle Arnold's investor presentation on November 12, 2008, at the Merrill Lynch Conference is attached (Exhibit 3).

Although net loans were relatively unchanged in 4Q2008, Zions had strong growth in Commercial, Commercial Term Real Estate, and Consumer loan categories, for total growth in those categories of $279 million, as shown in Table 2. In addition, as noted in

the earnings press release (an excerpt of which is included as Exhibit 4), during that quarter we originated $2.7 billion of gross new loans, almost twice the amount of the CPP funds we received. However, this strong origination volume was offset by normal pay-downs, and higher reserving and charge-offs of residential land acquisition, development and construction loans due to the lack of credit demand to finance new projects in markets already over-saturated by existing housing supplies.

We have taken additional steps to stimulate new lending, including strong print, billboard and broadcast media advertising campaigns which started in December 2008 and continue today. (b) (4) (b) (4) (b) (4) In addition, on February 17, our Nevada State Bank subsidiary hosted a financial summit for small businesses in Las Vegas. We were forced to cut off the registration at 600 businesses due to capacity of the facility reserved. Senate Majority Leader Harry Reid was a featured speaker.

The following link provides an archived replay of a local newscast on KPVI television in Pocatello, Idaho. This is typical of the kind of effort we are making to promote lending.

> http://www.kpvi.com/global/video/flash/popupplayer.asp?ClipID1=3493991&h1=Make%20Your%20Business%20Dream%20a%20Reality&vt1=v&at1=News&d1=116300&LaunchPageAdTag=News&activePane=info&rnd=2515784

We have also attached a copy of an article that appeared in the Salt Lake Tribune newspaper on February 28, 2009, which reflects our lending outreach efforts, as well as some sample advertisements run by our banks (Exhibit 5).

In short, the receipt of CPP funds has enabled us to once again actively seek new loans. We believe we have been diligent in using CPP funding primarily to support continued lending throughout the West. The lack of aggregate loan growth today is due to lagging loan demand, and the fact that charge-offs and principal payments in the residential home building sector continue to offset loan growth in other areas.

Asset Acquisitions. The Company has not used any of its resources during the past two years to acquire non-troubled banks. b(4), b(8) b(4), b(8) Of these, it has acquired from the FDIC the deposits and some assets of two failed banks in recent months: Silver State Bank in Nevada in September 2008, before receipt of CPP, and Alliance Bank in California in February 2009, after receipt of CPP. b(4), b(8) b(4), b(8) b(4), b(8) b(4), b(8) however, adequately capitalizing the acquired assets of Alliance Bank on our own balance sheet required about $24 million of Tier 1 risk-based capital, and about $60 million of tangible shareholders' common equity (note that the CPP was preferred equity).

We believe that acquisitions of failed institutions from the FDIC are a good use of relatively modest amounts of capital and in the public interest. It is worth noting that these failed institutions had effectively ceased all new lending prior to their failure. Zions can now effectively use the acquired deposits to fund new loans.

Executive Compensation Requirements

CPP Requirements. In October 2008, the Treasury issued regulations imposing executive compensation requirements on CPP participants. When the Company issued CPP preferred to the Treasury in November, the Company became subject to the Treasury regulations, which

1. Limit severance payments to senior executive officers ("SEOs") to less than three times the SEO's trailing five-year average annual compensation;
2. Limit the federal income tax deduction the Company may take for annual compensation to its SEOs to $500,000 each;
3. Require the clawback of any incentive compensation paid to an SEO while the Treasury holds any CPP preferred stock or warrants of the Company based on financial statements or performance metrics later determined to be materially inaccurate; and
4. Require the Company to implement a procedure for reviewing SEO compensation programs for unnecessary and excessive risk and making related certifications.

As a condition to receiving the CPP capital, on November 14, 2008, Zions delivered to the Treasury contractually required waivers by Zions' five SEOs. In addition, on November 14, 2008 (and as described in Zions' Current Report on Form 8-K filed with the Securities and Exchange Commission on November 17, 2008), Zions executed signed agreements with each of its five SEOs amending all of their compensation and benefit arrangements with Zions to comply with the requirements of Section 111(b) (as in effect on October 28, 2008), including with respect to the limitation on golden parachutes in Section 111(b)(2)(C) and with respect to the potential recovery of amounts based on misstated financial information or other metrics in the original EESA Section 111(b)(2)(B). Because these SEO agreements modified all existing compensation and benefit arrangements with the SEOs, the agreements made compliance with the Treasury requirements essentially self-effecting. Moreover, the Company has complied with requirements 1 and 3, inasmuch as no severance payments have been paid to any SEO after our receipt of TARP CPP funds and no materially inaccurate financial statements or performance metrics have been identified. Additionally, the Company's pre-existing change-in-control agreements already were in compliance with requirement 1.

With regard to requirement 2, the Company has not yet prepared its 2008 tax returns, but of course does not intend to take deductions for compensation paid to SEOs in excess of $500,000. The Company's compliance with requirement 4 is discussed below.

Review of SEO Incentive Compensation, Unnecessary and Excessive Risks and Risk Management Practices. At a meeting of the Company's Compensation Committee held on January 28, 2009, the Committee discussed and reviewed the Company's SEO incentive compensation arrangements with senior risk officers to ensure that the SEO incentive compensation arrangements do not encourage SEOs to take unnecessary and excessive risks that threaten the Company's value. The Compensation Committee will make the certification required by the Treasury regulations in its proxy statement for its 2009 annual meeting of shareholders. At the Committee meeting, the Compensation Committee also discussed and reviewed with the Company's senior risk officers the

relationship between its risk management policies and practices and the SEO compensation arrangements. The risk officers who participated in the SEO compensation review were Dean Marotta, Chief Risk Officer; Gerald Dent, E.V.P. for Credit Administration; and Thom Laursen, General Counsel. Also participating in the meeting were (b) (6) Director of Executive Compensation; (b) (6) of Semler/Brossy, the Compensation Committee's compensation consultants; and Harris Simmons and Doyle Arnold, Chief Executive Officer and Chief Financial Officer.

The discussion on compensation risk highlighted a number of factors in the Company's SEO compensation arrangements that actually discourage unnecessary and excessive risk, including the following:

- The Company's SEO compensation arrangements are balanced between four main components consisting of annual salary, annual bonuses, long-term cash incentive plans based on incremental improvement in earnings and return on equity over multi-year periods, and stock options. These components are designed to provide the greatest incentives for executives to improve profitability and shareholder value on a long-term rather than short-term basis.
- A relatively small portion of SEO incentive compensation, and an even smaller portion of overall SEO compensation, consists of annual bonuses. This removes the incentive for SEOs to "pump" profits in a given year. This design feature is in stark contract to our understanding of common compensation practices at money center investment and universal banks, which news reports describe as compensating senior officers largely in the form of annual incentive bonuses.
- A substantial majority of SEO incentive compensation is long-term and is designed to measure performance over periods of time that have a duration greater than that of the great majority of the Company's assets. Thus, SEOs are disincented to generate high annual profits to benefit annual bonus payouts without regard to the incurrence of long-term risks that could diminish long-term incentive compensation payouts and stock appreciation.

The Company's long-term incentive compensation is based on reasonably achievable targets taking normal business risk, and is subject to caps. These and other elements allow SEOs to achieve goals without incurring unnecessary and excessive risks.

January Treasury Guidance. In January 2008, the Treasury Department issued guidance to companies participating in the CPP. This guidance clarified and modified certain minor aspects of the CPP Senior Preferred equity documentation and CPP-related Treasury regulations. None of these changes impacted the Company. The guidance also imposed a number of reporting requirements on CPP participants, including the following:

1. Certification by principal executive officer ("PEO") that Compensation Committee and senior risk officers have reviewed SEO compensation with respect to unnecessary and excessive risk (due within 120 days from closing of CPP funding, or March 13, 2009);
2. Certification by PEO that (a) the Compensation Committee has met with senior risk officers in the prior fiscal year to review the relationship between risk

management practices and SEO incentive compensation to ensure the compensation arrangements do not encourage unnecessary and excessive risk, (b) the Compensation Committee has certified to this review, (c) the Company has required that SEO incentive compensation be subject to required clawback, (d) the Company has prohibited prohibited severance payments; (e) the company has instituted procedures to limit prohibited tax deductions based on SEO compensation, and (f) it has identified the SEOs for the current year (due within 135 days of the prior year end, or May 6, 2009); and

3. Certification by the PEO that the company has limited tax deductions based on SEO compensation to $500,000 each (also due May 6, 2009).

Zions' PEO has not made the required certifications as of this date, as the certifications are not yet due. The Company believes the PEO will be able to make all of the required certifications, although absent further guidance from the Treasury the form of certifications 2(a) and 2(b) will need to be modified slightly to address a timing issue.[1]

With regard to certification 2(e), we note that the Company has instituted a procedure to limit SEO-related compensation tax deductions. This consists of the Human Resources Department informing the Tax Department of the SEOs for each year and the Tax Department then collecting information on all compensation and benefits paid or given to the identified SEOs during the relevant tax year and limiting such individuals' compensation-related tax deductions to $500,000.

ARRA. In February 2009, the American Recovery and Reinvestment Act ("ARRA") went into effect. At the present time, the Treasury has yet to adopt new compensation standards as required under ARRA and others have raised issues as to the meaning of and manner of implementing the executive compensation-related provisions of the ARRA, as reflected in a letter by the American Bankers Association to the Treasury Department. Until those new compensation standards are adopted or other Treasury guidance is released, Zions intends to comply with the compensation standards in effect under the CPP in the fall 2008 and January 2009. To date, Zions has made no changes to other, long-term or deferred forms of executive compensation that may offset the changes required under the CPP.

Loan Risks and Executive Compensation. The relationship between loan risks and executive compensation was covered in the January 28, 2009, meeting between the Company's senior risk officer and the Compensation Committee. Subsequently, at a February meeting of the Zions Enterprise Risk Management Committee, a management committee, the E.V.P. for Credit Administration and the head of credit examination were directed to review the compensation practices of lending business lines with a view to assessing whether any compensation practices could encourage undue risk. This review will be broad-based and not limited to SEOs and executive management.

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[1] As discussed above, Zions' Compensation Committee and senior risk officer completed the review referred to in certification 2(a) on January 28, 2009. All topics required by the October Treasury regulations and January Treasury guidance were covered in the meeting. Because the requirement that the review be conducted in 2008 was only made public in 2009, it was impossible for the Company to comply with the year 2008 timing requirement of the January Treasury guidance. Therefore, the PEO and Compensation Committee will modify certifications 2(a) and 2(b).

Confidential Treatment Requested

This letter and the enclosed documents contain confidential and proprietary commercial and financial information concerning Zions. Accordingly, Zions hereby requests, pursuant to the Treasury's Disclosure of Records Regulations, 31 C.F.R. Part 1, Subpart A, and for reasons of business confidentiality and personal privacy, that this letter and the enclosed documents not be disclosed in response to any request made under the Freedom of Information Act, 5 U.S.C. § 552 ("FOIA"). The foregoing request also applies to any other materials of any sort that are made by, or at the request of, the Treasury and incorporate, refer or relate to any of the matters contained in the enclosed documents or this letter.

If the enclosed documents or this letter become the subject of a FOIA request, please contact Thom Laursen at (b) (6) and we will provide further information in support of this request for confidential treatment. We also request that, at the conclusion of this inquiry, all copies be returned to undersigned at the above address.

Certification

I certify that the statements, representations, and supporting information contained in this letter are accurate to the best of my knowledge.

Sincerely,

Doyle L. Arnold
Vice Chairman and Chief Financial Officer

Enclosures

Exhibit 1

FINAL TRANSCRIPT

Thomson StreetEvents℠

ZION - Zions Bancorp at Lehman Brothers Global Finance Services Conference

Event Date/Time: Sep. 08. 2008 / 7:30AM ET

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CORPORATE PARTICIPANTS

Harris Simmons
Zions Bancorp - Chairman and CEO

CONFERENCE CALL PARTICIPANTS

Jason Goldberg
Lehman Brothers - Coordinator

PRESENTATION

Jason Goldberg - *Lehman Brothers - Coordinator*

Other things going on at once. Thank you all for joining us. For those I don't know, I'm Jason Goldberg, I cover the large and mid cap banks from Lehman Brothers. Kicking off the conference from the bank side I'm very pleased to have Zions Bancorporation. As many of you know, Zion is somewhat of a unique company operating in somewhat localized structure in terms of local names, local boards, local management teams, primarily in western southwestern growth markets in the United States. Despite having above average concentration in construction on the commercial real estate loans the Company's numbers have out performed other banking peers both near term as well as over the longer term. From the Company we're very pleased to have Harris Simmons, Chairman and Chief Executive Officer and with that I'll turn it over to Harris.

Harris Simmons - *Zions Bancorp - Chairman and CEO*

Thank you very much, Jason. It's good to be with all of you this morning. In these very interesting times we find ourselves in and to be able to tell you a little bit about what's happening with Zions Bancorporation. First, let's see, I've immediately lost the slide here. There we go. The obligatory-- is slow to respond, my apologies. The obligatory disclosures with respect to forward-looking statements. Today, we're going to be discussing a variety of things. I have more probably in the slides than I'm going to have time to discuss so I'm going to re-focus on a couple things. One is credit and I'll touch briefly on margin and deposit raising issues and then discussion about capital and dividends. I'll also be talking for just a moment or two about a deal that we announced Friday evening with the FDIC to acquire the deposits, the insured deposits, of Silver State Bank in Nevada, and a filing of a supplement to our prospectus with respect to what is known as an ATM equity program that we have filed this morning designed to allow us to raise some capital.

Let me jump right into it to talk a little bit about credit quality this morning. This is obviously the center of attention for the entire industry right now has been credit quality and then how that impacts capital issues. We have traditionally had, we think, very strong credit numbers and a very strong credit culture relative to the industry. Recently, you'll see that there's been an uptick in non- performing assets. Well that ratio is actually above what you'd see if you'd take the weighted average for our entire peer group, all companies over $10 billion in assets as you see here. Nevertheless, net charge-offs have remained relative to the industry in quite good shape. We're at 67 basis points in the second quarter, 59 basis points for the first half, net charge-offs as a percentage of annualized-- average net charge-offs as a percentage of average loans on an annualized basis for the first half of the year. So you may ask, what's the disconnect between a higher NPA ratio and larger charge-offs. One of the answers is that we have a smaller consumer book than particularly the banks that dominate these averages. Particularly the large five banks in Citi, B of A, Wachovia, Wells Fargo and JP Morgan Chase. For example, we have roughly 5.5% of our total portfolio is in home equity credit lines. We find that the average for that group is about 15.5%. We have about 0.8% of our portfolio in a bank card and revolving consumer credit-- unsecured consumer credit. They're at about 8.8% on average and those consumer losses tend to go right from delinquent very quickly to charge off, if there are issues there. And it's why, consequently, our net charge off numbers are running about 40% of what the industry is, is to the extent that we have problem credits, they tend to be secured with first trust deeds on properties. And, granted those properties, in many cases, are losing value, we've seen depreciation in the underlying values but we started generally with, as we'll show you in a minute, quite conservative loan to values coming into them and that has mitigated the losses substantially.

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Another way to look at this is if you look at our peers banks under 200 billion, from 10 to 200, you would find that non-performing assets were right at about the average there, you see here on the left-hand side of the chart, and but once again, our net charge off numbers have looked quite good. Another way to look at this is to look at our reserves as a coverage to net charge-offs. We're running currently about two times annual net charge-offs to the industries 1.5 times and that again includes the largest banks with some of these consumer portfolios. If you look at our second quarter reserves to net charge-offs relative to some of these peers on an individual basis, you'll see that we're at the top of the chart, Union Bank Cal which has had Sterling performance, Huntington, which has actually looked quite good in terms of their charge off coverage, but we've run ahead of a lot of names including some of the large names in the industry in terms of our charge off coverage.

If you look at our loan portfolio, in terms of its diversification, what you'd find over the course of the last year, principally what has changed has been a reduction in our residential construction book which is now running about 9% of total loans, you see it down here, kind of a faint pointer but down here at the bottom of the slide. That's down from about 13% a year ago and obviously, with the incredible slowdown in activity that number continues to drop. But you see that we have about 47% of our portfolio in C & I including owner occupied real estate secured credits before the cash flow to service those credit is coming from the operating cash flow of the business. We have about 18% consumer and 34% is in CRE including this 9% piece that is residential construction which has been the piece of this pie which has generated more than its share of challenges in recent times, for us and for the industry.

If you drill down into some of these pieces and look at what's happening in the residential mortgage loans, 30 day plus, delinquency is up to about 1.5% currently, and so we have been seeing higher delinquencies in that portfolio. These are on a 30 day plus basis. That largely reflects the effect of credits in the Arizona market is what is driving that uptick. If you go on to the bank card portfolio you'd see that our 30 day plus delinquency remains in very good shape. It's currently a little under 2%, much stronger than the industry average, and it's come down nicely from where it was earlier this decade. Our home equity credit line portfolio was about a $1.9 billion portfolio. As I said, it's about 5.5% of our total loan portfolio is behaving extremely well, has a total delinquency of about 22 basis points at the end of the second quarter. That represents about 44 different borrowers out of a universe of 39,000 or so, that are more than 30 days delinquent. We think that's probably unparalleled in the industry and represents the fact that the average loan to value coming into those deals was just over 60%. You can see the average FICO score was 756 and a very proactive management of that portfolio has kept losses in that portfolio to close to nothing. And we have really no concerns about a portfolio that a lot of the industry is in their books looking at carefully.

In the C & I portfolio, there's been a little bit of an upward trend but nothing that we consider to be alarming. It was actually down a little bit in the month of June as you can see and we haven't really been experiencing any kind of systemic problems in the C & I portfolio. Where we have seen the problems has been in the CRE portfolio as you would expect and it is focused in this residential construction and development piece of it which is the red line here on the chart. You can see that the commercial term numbers continue to look very, very good down at kind of 0.5% delinquency, 30 day plus. Commercial construction has bounced around a little bit. It's actually down the last quarter at about 1% but again we're not really seeing issues there.

If you drill further into this and look at the residential construction piece, 8.9% of total loans, the piece that's generating the largest share of the problems that we have had has been in the land acquisition and development portfolio, which is about 5.2% of the total portfolio. The single family housing is 3.7 percentage points of that 8. 9 and it hasn't been without some challenges but the losses more generally, have been coming out of this 5.2% piece and if you further break that down, you would see that about 2.5 percentage points of the total portfolio are in land acquisition and development in these troubled markets of Nevada, Southern California and Arizona, and it was about half of that piece being in Arizona where we had a little heavier concentration and that has been-- these have been the pieces that are generating some loss in the last couple of quarters for us.

We have for some time published a-- what we would appear here to be an I-chart, even in the printed version will look so, but we have tried to provide investors with a very granular break down of where our real estate concentrations, our CRE portfolio is located by market and by product type. And we think that we actually do have a reasonably well diversified portfolio across product types and geographies. You can see the average loan to value in this CRE portfolio at inception is measured at inception

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or most recent appraisal is about 55.7%. And going on to the next slide you'll see that the loan to value ratios by product category and location are also provided here and across-the-board, we think are reasonably conservative and one of the things that is limiting the damage and the charge-offs through this cycle. If you look at this in these troubled markets, we think that this is kind of an interesting analysis. Looking at 216 properties where we have updated appraisals, these would generally be because of down grades in the quality of the credit because they've become criticized or classified, since the beginning of the year. You see that in the first column there, California Bank & Trust, our California exposure, that the average loan to value of deals that we reappraised in the last-- in the first half of this year had, prior to that point, the most recent appraisal we've had. And this would have been generally at the inception of the loan or if it has been previously downgraded, at a time when we've got an updated appraisal at the time of that event, but we had average loan to values of about 44% and what we see in June of '08, the appraisals that were made in the most recent six months, give us loan to values of 45%. We had changes in appraised values that dropped 13 percentage points on average in those deals in that market, but we also had, and currently, a change in exposure of 10 percentage points and this would have happened as a result, for example, of the sale of lots with accelerated release prices, which is generating-- effectively building up equity for the remaining inventory or from paydowns, or from charge-offs and so there are a variety of reasons why the exposure is dropping, but as values are coming down, we're either dealing with a problem or getting new equity into shore it up. You see in Arizona similar kinds of numbers. We've had appraisals there of more dramatic revision downward of 21% in values. That 21% also in-- to remargining, new equity in or charge downs or equity, like I say, from accelerated release prices on lot sales. Nevada State Bank a little bit of an exception, they had a 41%-- we've had a major drop there with a 4% change in exposure and it's why the loan to values there have risen. But on the whole for the Company and you'll note in the footnotes that the numbers for the entire Company include about 60 of the 216 deals were in markets outside of these three markets, so it would include markets such as Texas or Utah, Colorado, which are behaving a little more positively. But the entire universe we had about a 16% average change in appraised value and a 12% change in exposure through that period. It's one of the reasons that we see that the total residential construction number relative to the total loan portfolio is actually coming down so the exposures are coming down even as appraised values are coming down.

Another way to look at this is that we think is kind of interesting, if you take the 50 largest credits that were classified substandard or doubtful at any time during the past nine months, and this would include all of our doubtful loans greater than $1 million in size, what you'd find in that universe of loans is that we had $117 million in charge-offs but we also had $104 million in new equity into those deals through remargining during that period so it's a reminder that if you start with stronger equity in deals and the borrower has in in the game you're more likely to be able to work with a borrower to get additional equity, to get additional collateral to shore up a deal as it starts to weaken and so the effect of this has been that about half of the real loss exposure in deals is measured by these larger credits has been shared by sponsors as they've actually added new cash to deals in the last several months.

Now, you may ask, why with strong loan to value (inaudible) like this, why are you experiencing losses at all and the answer is very simply that these deals-- averages are useful statistic but they don't capture the tales, and we wish we could cost collateralize all of our borrowers debt but we can't, so where we're finding losses is in extreme situations and also you find losses in situations where you have documentation problems or fraud in some cases but we're finding that generally the underwriting of the deals has been quite strong.

If you look at our residential land and development loans in these three markets, what you'd find is we have total outstandings of just over $1 billion. In the Arizona market, 34% of that portfolio is criticized and classified. In Nevada. 62% of the portfolio and in California 22% of the portfolio is criticized or classified. And so the issue is are we recognizing problems with our clearing, we believe so. We think that what we're seeing currently, most of you that follow us would know, that we believe that in the California market we have probably turned the corner. There is a limited inventory and, like I say, in this particular category , residential and development in these three southwestern markets at a little over $1 billion, that's an inventory that tends not to be growing right now and so twe've been combing through it continually. And in some cases, you may ask why isn't it all criticized and classified given what we read in the newspapers? Well in some cases you simply have extremely strong sponsorship and deep pockets that are continuing to support credit. You have some projects that are actually working. What you tend to read about are the failures but there are actually a lot of projects out there, there are sales that take place, and so developers that are getting through this. We do think that there will continue to be strain in the portfolio in Arizona and Nevada in these

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two categories-- or in the residential land and development loan category, and you can see that the Arizona portfolio, 34% classified is lower than Nevada. I expect that number will continue to rise before it gets better. But we think it's a limited universe that we're dealing with here.

If you go back and look at the California exposure for a minute, one of the answers there too is that the hard hit markets in California tend to be the Inland Empire and the Central Valley, and we have a reasonably small exposure there as you can see about $90 million in outstanding credit. In the Inland Empire, 67% of it is criticized or classified and 86% in the Central Valley but you'll find that there are actually a lot of projects along in the coastal areas that are actually continuing to work okay and we're seeing performance there.

If we kind of sum up on the credit outlook front, we continue to see weakness obviously in residential construction activity and in land values in the Southwest. We expect that will persist through 2009, but that's not to say it couldn't go longer. It's simply a very slow market generally there, though if you have the right developer and they have the resources, we're continuing to see remargining and pay downs and working through credits. There's no current evidence of any material spread of the credit problems to other geographies or loan categories. We do think that we'll see a further increase in non-performing assets over the next couple of quarters, as something of a lagging indicator, as we continue to work with developers as property values continue to slide in some of these places, but we nevertheless believe that provisions and net losses are likely to remain at relatively similar levels to what we saw in the second quarter for the next couple of quarters here. As we've said charge-offs in California we think have probably turned the corner. I expect that will be offset to some extent by higher levels of charge off in Arizona and Nevada over the next couple of quarters, but on the whole we think it is likely to remain reasonably within the bounds that we've seen in the last quarter or so.

Loan growth, I would say this about the balance sheet generally. First of all loan pricing continues to strengthen. We're seeing an ability to price per risk that we haven't seen for quite some time, and we are very-- we've been very proactive during the third quarter in managing balance sheet growth, and I would expect that we will see a balance sheet in the third quarter that is essentially flat to what you saw in the second quarter. I expect that you'll see very little in the way of loan growth and that general balance sheet growth will be basically flat as well and that obviously has some positive implications in terms of capital ratios that I'll talk about in just a minute.

I'm going to skip over the Lockhart funding. We've talked about in the past, but it's become essentially a non-issue in that the net amount off of our balance sheet is roughly $300 million or so that we don't (inaudible). If you net the total of the Lockhart outstandings versus what we're currently financing through the purchase of commercial paper from that conduit, we think that's no longer a major theme. The investment portfolio, you have slides there. In the sake of time I'm going to skip over this although I'm happy to answer any questions you might have about it when we finish here.

I'm going to talk just briefly about the fact that we have a margin situation-- those that know the story know that we have a very strong margin. When you combine the fact that we have a very strong margin with net charge-offs that remain in quite good shape, we think it's actually one of the powerful themes in the story and I'll leave that at that with the margin. I would say with respect to one of the issues on the margin has been deposit generation, the change in mix etc, That continues to be something of a challenge although in recent weeks we think we've seen some improved activity there in building the core deposit base, that has been encouraging to us. I'd also take just a minute and talk a little bit about deal we did Friday evening and this is just a transaction of the FDIC where we acquired the insured deposits of Silver State Bank in Nevada, primarily in Nevada. They had four offices in the Phoenix market, 13 offices in Southern Nevada. We acquired just over $800 million in insured deposits. We paid a deposit premium of 1.3% so approximately $11 million and we think that's a fabulous little transaction that provides some additional funding for us in a market where that has been a deposit market that has generally been challenging for regionals. And we expect that we'll keep probably four of those 17 offices. We'll keep probably three in the Las Vegas market, open one in the Phoenix market and the rest will be consolidated into other branches located nearby, in either our Nevada State Bank or National Bank of Arizona affiliates.

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I want to talk now about capital. You can see our numbers at the end of the second quarter, tangible equity, pro forma for a little preferred deal with did internally with our own broker dealer closed just after June 30th. Pro forma for that we're at 6.06%. We would be a little stronger than that today and you can see the other regulatory ratios that are all above well capitalized. We have been focused probably particularly on the tangible equity ratio. We recognize that we're light relative to our stated guidelines. We would like to be at 6.25 to 6.5%. I'd like to see it at the higher end of that range or even a little above that range in this environment. It has been obviously a challenging environment for issuing capital. It's been, our situation has been further tested by the fact that we've had very strong loan demand which we've, as I mentioned a minute ago, have been pulling back on. I suspect there's been maybe some weakening of underlying demand but clearly the major part of the flattening that I've described is coming from a very proactive management of the balance sheet. We have filed this morning a prospectus supplement to issue up to $250 million of common through what is sometimes known as an ATM equity program. This is a program that will allow us working through Merrill Lynch to issue shares through their trading desk at times and at prices and at amounts of our choosing. You can think of this as sort of the flip side of a buyback program, if you will, where on any given day, we would say yeah, we like the market but we don't and we would like to try to do this much, and the shares will be issued by a trading desk in matching up orders that are coming across the desk.

This, I would note that this is not done in connection with the Silver State Bank deal. It's not a requirement and it's not needed given the very small premium paid in that deal. And that deal-- the other thing I should have said about that deal is the Silver State Bank deal doesn't-- will not increase the size of the balance sheet. We'll use those deposits to pay down debt funds and federal home loan bank borrowings so it doesn't have any capital absorption effect on the balance sheet other than the premium we paid which is modest, but this ability to issue common gives us a lot of flexibility and ability to be opportunistic. You won't know how much we've raised until the end of a quarter when you see our capital numbers and so for those of you in the room who may be short this year, you'll have to wait until quarter end to see what the effect has been. To participate in it, you simply call up your broker and buy shares, and so we think this is actually a way to be quite flexible and allow us to strengthen this ratio. It doesn't preclude the possibility of doing a preferred issue. That market has been incredibly choppy. We've continued to watch that market and see if we want to supplement this with that, but that would sum up kind of what we're planning on the capital front right now. I would expect that this will get us rather quickly to a point where capital is not the kind of issue it has been in our story in recent months. I expect that we'll continue to focus on governing balance sheet growth for a period of time here. I'd tell you that it has-- it obviously-- you can't do a lot of that for very long without starting to create some damage in the franchise. But a certain amount of it is actually rather salutary and it's actually, I think, injecting a measure of discipline into pricing and thinking about what kind of credits you want sort of on the boat, and so it hasn't been all bad that way and I expect that some of that discipline will continue as we continue to build our ratios in this particular part of the cycle.

Some have asked about the dividend. We came into this cycle with-- historically with a very conservative dividend pay out. You see that in the yellow line here, this goes back to the first quarter of 2002. We typically been in the 25 to 30% range, kind of 27 to 28 through this period '04, '05, '06. We used share buybacks to basically manage capital. We were doing as recently as a third quarter of last year, $90 million in share buybacks which of course were suspended with the credit crunch kind of hitting last August. But we really came into this having already cut our dividend, if you will in that we had a reasonably conservative pay out to start with and we believe that unless we see the credit picture get a lot worse, that's not the signal that we're wanting to send right now with a change in the dividend so we expect the dividend at this point will remain where it is.

So to summarize. We're managing our balance sheet growth in the context of the current capital situation and funding capabilities. Deposit growth continues to be somewhat weak although maybe a little bit of improvement that we've seen recently. We didn't talk about the securities portfolio for sake of time. I'd sum up by saying that we think that we could continue to see over the next two or three or four quarters impairment charges could be at roughly the same levels that we had seen in the last couple of quarters. That has averaged about $40 million. It could be lumpy. I'm not in a position to talk about what we're going to see this quarter. We haven't completed our impairment testing there yet but all of our modeling suggests that that's what could be possible. Credit costs, as I've said somewhere in the second quarter through year-end, perhaps a slight increase but I think they are going to be reasonably similar to what we've seen here. Net interest margins some what modest downward pressure through a change in the funding mix primarily. We continue to have a reasonably strong margin relative to the industry and I've talked a little about capital dividends a moment ago so that would sum up. We have about five minutes left for two or three

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questions and I'd be happy to open it up to questions at this time. There's some microphones in the back if anybody has a question if you raise your hand and we'll--- okay.

QUESTIONS AND ANSWERS

Unidentified Audience Member - - *Analyst*

Following up on the securities impairment comment you just made. Just for a little clarity there. Do your comments about the charges continuing at first half levels, does that incorporate any likely material downward move in your almost billion dollar trust preferred portfolio post the weekend events or is this guidance as of a couple days ago or a week ago or so?

Harris Simmons - *Zions Bancorp - Chairman and CEO*

Well this is guidance pre-Fannie/Freddie bail out. Though I would note that regulators announced yesterday that they don't-- their own quick look at this is-- they don't expect that this-- what's happening to Fannie and Freddie preferred securities is going to take any banks below a well capitalized threshold. It will obviously for some banks weaken their capital somewhat and-- frankly, that could aggravate this marginally. But that was not taken into account, so I'm not in a position to really evaluate that. I should have noted for what it's worth, we as a company have no Fannie or Freddie preferred securities whatsoever, so add that to the comments. Yes?

Unidentified Audience Member - - *Analyst*

Just taking a quick look also at the securities portfolio, could you comment a little bit about the trust preferred pools, where you're carrying them in terms of whether or not your auditors think that they need to be carried at a little bit lesser valuation and also with respect to Lockhart, same question. In terms of the scenarios under which those trust preferred pools would come on to your balance sheet.

Harris Simmons - *Zions Bancorp - Chairman and CEO*

Sure. With respect to the securities portfolios and where we're carrying the securities, as we've previously indicated, we moved a portion of this portfolio into held to maturity back during the second quarter and we did that because we expected that we would see-- basically have markets that could become disfunctional for some of these securities. We left those where we thought the market would more readily recover and available for sale. We were disclosing what we believe the underlying values of these securities are, but you see those on a couple of slides we have here. But we basically expect that we could continue to see some deterioration in the markets in available for sale portfolio that's going through OCI in this portfolio. We will be testing for impairment on all of these securities and working with our auditors to do that and to the extent that we believe that there is impairment that will go through the income statement regardless of which portfolio held the maturity or available for sale those securities are held in. I think it's useful to note that with respect to those which have been placed in held to maturity portfolio, that froze in place roughly $240 million, well let's see, $241 million of mark in OCI, so to the extent that we have losses, we do think that,with all of our modeling, most of that loss is likely already accounted for in capital by the marks that are present in OCI today. So that's one of the things that we think will limit the damage to capital from any marks in either of these portfolios. Quickly with respect to Lockhart, we just don't think it's a major issue. High quality assets and a small amount of them. One last quick question I think?

Unidentified Audience Member - - *Analyst*

Thank you. You haven't taken any marks on the bank trust solvent on the retrust.

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Harris Simmons - *Zions Bancorp - Chairman and CEO*

I'm sorry, I can't hear you.

Unidentified Audience Member - - *Analyst*

Yes, you haven't taken any marks in the bank trust. It's all been on the retrust. Will there be any marks in the bank trust this quarter?

Harris Simmons - *Zions Bancorp - Chairman and CEO*

Well there have been marks taken through OCI on the bank trust securities. That's the 241, gone through OCI, the $241 million in held to maturity portfolio and about $67 million in the available for sale portfolio. So those are reflected in capital. It's too early for me to tell you what's going to happen in terms of whether there's any other than temporary impairment that comes through the income statement. With that, I am out of time. I appreciate your interest and your attention and thank you for being with us this morning.

Jason Goldberg - *Lehman Brothers - Coordinator*

There will be a break out session for additional questions in the Gibson Suite, down at the horseshoe on the other side. Next up in the [Gramercy Suite] will be [Renre], in this room the [Ursa Group], in NASA Suite is [Brown and Collin West American Region Products].

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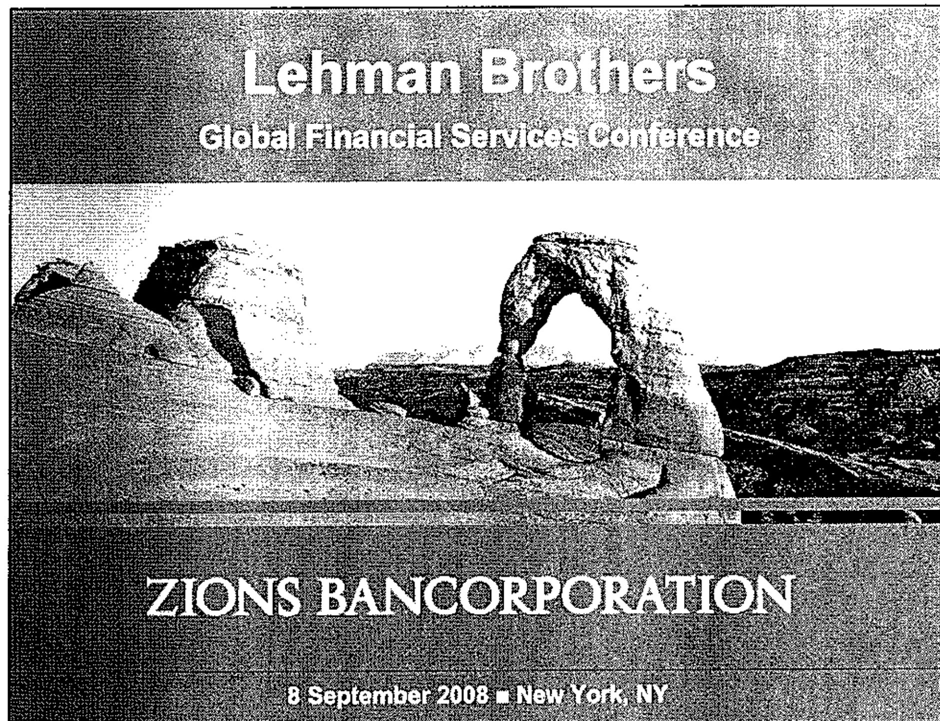
Exhibit 2



Loan Growth
Outlook

- Loan pricing continues to strengthen
- Managing balance sheet growth in the context of current capital generation and funding capabilities

Exhibit 3

Implications of TARP Capital

- Removes major constraint to loan growth (expect $500MM-$750MM/qtr growth)
- Frees up existing capital for possible FDIC-assisted troubled-bank resolutions
- Likely to mitigate but accelerate resolution of bank trust preferred CDO portfolio
  - Estimate $50MM - $125MM of net capital reduction from OTTI
  - Range based on Zions estimates of bank failures due to non-receipt of TARP capital
  - Possible offset from fair value recovery on stronger bank CDOs

Exhibit 4

ZIONS BANCORPORATION

Press Release

*****FOR IMMEDIATE RELEASE*****

For: ZIONS BANCORPORATION
One South Main, 15th Floor
Salt Lake City, Utah
Harris H. Simmons
Chairman/Chief Executive Officer

Contact: Clark Hinckley
Tel: (801) 524-4787
January 26, 2009

ZIONS BANCORPORATION REPORTS 2008 FOURTH QUARTER LOSS DRIVEN LARGELY BY NONCASH GOODWILL IMPAIRMENT

Company Bolstered Loan Loss Reserves, Strengthened Capital and Liquidity, and Originated $2.7 Billion of New Loans

SALT LAKE CITY, January 26, 2009 – Zions Bancorporation (Nasdaq: ZION) ("Zions" or "the Company") today reported a fourth quarter loss from core banking operations of $0.32 per diluted common share, excluding noncash charges from goodwill impairment of $2.97 per diluted share and impairment and valuation losses on securities of $1.07 per diluted share. Including these charges, the fourth quarter net loss applicable to common shareholders was $498.1 million, or $4.36 per diluted share. The Company also built its reserve for loan losses by $105.5 million in excess of actual net loan charge-offs.

"In what most observers agree is the most difficult economic environment in over half a century, we have strengthened our balance sheet by building record high levels of capital and liquidity," said Harris H. Simmons, chairman and chief executive officer. "The goodwill impairment has no impact on regulatory and tangible capital ratios, and reflects in part the fact that market values of all banks are significantly lower in current highly stressed markets." Simmons added, "While this is a challenging environment for Zions and the industry, we continue to successfully extend new credit and serve our customers. In fact, we extended $4.6 billion of credit in the fourth quarter, of which $2.7 billion were new loans, in our continued effort to make credit available to credit-worthy individuals and businesses. This, in turn, will help them weather this economic storm and strengthen the economy."

- more -

Fourth Quarter 2008 Highlights

- Tangible common equity ratio of 5.89% and estimated total risk based capital ratio of 14.71%, up from 12.30% at September 30, 2008.
- Provision for loan loss reserves of $285.2 million versus net loan charge-offs of $179.7 million.
- Noncash impairment loss on goodwill of $353.8 million.
- Impairment and valuation losses on securities of $204.3 million.
- Capital investment of $1.4 billion from the U.S. Treasury.
- Extensions of credit totaling $4.6 billion, of which $2.7 billion were new loans.

For the year 2008, the Company's core banking operations made $2.20 per diluted share, excluding noncash charges from goodwill impairment of $3.11 per diluted share and impairment and valuation losses on securities of $1.75 per diluted share. Including these charges, the 2008 net loss applicable to common shareholders was $290.7 million, or $2.66 per diluted share.

Loans

On-balance-sheet net loans and leases were $41.9 billion at December 31, 2008, an increase of approximately $2.8 billion or 7.1% from $39.1 billion at December 31, 2007, and were essentially unchanged from the balance at September 30, 2008. For both the year-over-year and quarterly comparisons, net growth in commercial and industrial loans, consumer loans, and commercial real estate term loans was offset by pay-downs and charge-offs of construction and land development loans.

Deposits

Average total deposits for the fourth quarter of 2008 increased $3.2 billion or 8.8% to $39.6 billion compared to $36.4 billion for the fourth quarter of 2007, and increased $2.3 billion or 24.2% annualized compared to $37.3 billion for the third quarter of 2008. Most of the increase in deposits for the quarter was in brokered money market and other brokered deposits; the growth in these deposits was used primarily to reduce short-term Federal Home Loan Bank and other borrowings by $2.7 billion to $2.0 billion at December 31, 2008.

The Salt Lake Tribune http://www.sltrib.com

Brother, can you spare a loan?

Credit crunch » Businesses say money tight; financial institutions say it's flowing

By Paul Beebe
The Salt Lake Tribune

Salt Lake Tribune
Posted:02/28/2009 04:00:00 PM MST

If anyone qualifies for a business loan, it might be Frank Dsouza.
His Salt Lake City-based import, manufacturing and distribution company, Seaich Corp., is doing just fine, notwithstanding the worst recession since the 1930s.
But four banks have turned down his request for $500,000 to expand his company -- even as they insist they are making loans to creditworthy borrowers with good business plans.
"The banks say that they have money? I'll say, give it to me. I've got a plan," Dsouza said.
"We've been profitable. Our business was up about 26-27 percent last year, as opposed to 2007. And I've got all the financial [evidence] to prove it to them."
Dsouza, 48, is the human toll of the gummed up credit markets. He can't get a loan to expand Seaich, despite an excellent credit history with several banks in the Salt Lake Valley and a sheaf of purchase orders from Wal-Mart and Sam's Club that could increase his sales almost as much in 2009.
The dearth of commercial credit is a wrenching turnabout from last year. While credit began to tighten in 2007, it didn't freeze up until mid-2008. Since then, hundreds of billions of dollars authorized by Congress to inject fresh capital into banks and revive lending hasn't managed to break through the logjam to any big degree.
Yet banks insist they are lending. Zions Bank parent Zions Bancorp, which received $1.4 billion from the U.S. Treasury Department in October, said it provided $4.6 billion in credit, including $2.7 billion in new loans, during the final three months of the year.
For the year, Zions Bank's overall loan volume was up 13.4 percent, spokesman Rob Brough said.
"We have been aggressively marketing the fact that we have money to lend, particularly to small businesses. We have been the number one small business lender in the market for 15 years and continue to provide that financing," he said.
Jill Taylor, president of KeyCorp's KeyBank operations in Utah, said money is flowing to borrowers. But it comes with higher interest rates that she said better reflect the risk KeyBank takes when it lends money, even to long-time clients.
"We are talking to business owners, and we are really having frank conversations as to what that [risk] is. But we are very much lending," Taylor said.
According to KeyBank, commercial loans increased by 8 percent last year and loans to small businesses went up 14 percent. Taylor said those figures were higher than in the previous year.
"It's ludicrous to think we're not lending anymore because it's the only way we make money," she said.
Nationally, there is evidence that lending may be starting a slow recovery.
Earlier this month, the Treasury Department said lending to businesses and consumers by the 20 largest banks that received government rescue funds rose in December, although lending was down slightly in the final three months of the year.
"Overall, loan origination and underwriting activities were weak from October to November 2008 but picked up from November through December, fueled by falling mortgage interest rates and the Federal Deposit Insurance Corp.'s Temporary Liquidity Guarantee Program," the department said.
Among those banks were Wells Fargo, US Bancorp and KeyCorp, which received a total of $34.1 billion.
Ron Vallone, a Taylorsville home builder, said he detected a thaw when he sat down with a Zions loan officer last week.

"It turned out better than I expected," said Vallone, who had spoken to Zions three times and to three other banks before without a favorable outcome.

"I told him that in about two months I'd be coming to him for [a debt consolidation] loan. He seemed to think that was possible, only because we've never been late" on payments to the bank.

Vallone has built more than 400 homes in his career. Last year he bought three building lots in Salt Lake County for about $450,000, using lines of credit at five banks. When the housing market collapsed, the value of the lots plummeted. He is trying to sell them for $90,000 apiece, but hasn't received any calls from prospective buyers.

Now, at 56, Vallone is edging toward bankruptcy. He continues to make payments on the properties, but it gets harder every month because home building has dried up and his savings are nearly exhausted. He has turned to remodeling jobs, but they are becoming scarce, too.

The meeting with Zions was a rare piece of good news. Vallone said the bank is eager to see what effect the $787 billion stimulus package passed by Congress will have and may be willing to consolidate his loans.

"I was able to lay the groundwork to see if they were willing," Vallone said. "I was encouraged by that."

Although some businesses may be heartened by the prospect of easier credit, others continue to see no relief ahead.

Kathy Romero, 53, who owns Creative Graphics in Murray, has been unable to persuade a bank to consolidate several credit card balances and lines of credit.

Her 14-year-old company is a screen print and embroidery business, whose clients include high schools and National Basketball Association teams. Sales were down 25 percent last year. To cope, she laid off three people last month. In August she moved to a smaller building, which saved $2,100 a month.

"Since I do have a track record of paying my bills and the minimum payments are more than if I could get a consolidation loan, it seems as though someone would give me a chance. I just have been unable to find a way," Romero said.

pbeebe@sltrib.com

Measuring the health of Utah banks

The U.S. Treasury Department is investing $35.5 billion in banks based in Utah or with large operations here. Some of the banks, measured by the "Texas ratio" of nonperforming loans to cash on hand, are healthier than other banks. The higher the ratio number, the worse the bank's health.

Bank »**Federal money Texas ratio**

Wells Fargo » $25 billion 14.0

U.S. Bancorp » $6.6 billion 9.9

KeyCorp » $2.5 billion 14.6

Zions Bancorp » $1.4 billion 22.9

Where to start when you need business financing

Business.gov is a good place to look for assistance finding loans, grants and venture capital. The Web site is managed by the Small Business Administration in partnership with 21 other federal agencies.

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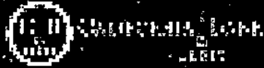
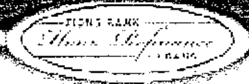
You have a business to run. We have money to lend.



A LOAN THAT CAN GET YOU OUT OF DEBT FASTER.

So you can take life a little slower.



Most of us want to get out of debt. A Zions Bank home refinance loan can help. First of all, there are no closing costs and rates are as low as 5.10%.* Which means you can save money on your mortgage and pay it off sooner while paying down any other high-interest debt. Either way, it's a great opportunity for those looking to get out of debt faster. We lend. You succeed.

No closing costs or fees

Low rates

Visit your local Zions Bank branch or zionsbank.com/loan or call 800-789-5626 to see how you can reach that "last payment" faster.

7-year home refinance loan **5.10%* APR** | **5.25%* APR** 10-year home refinance loan

ZIONS BANK

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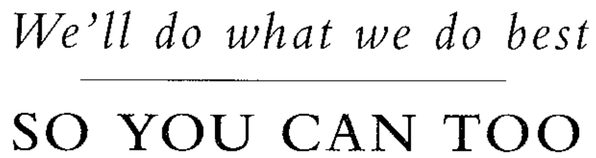
Member FDIC

WE HAVEN'T FORGOTTEN WHO KEEPS US IN BUSINESS.



WE LEND.
YOU SUCCEED.

A new economy starts now.

ZIONS BANK®

ans are subject to approval; restrictions apply; contact bank for details.