

Financial Highlights

For the Year <i>(in millions)</i>	98/97 Change	1998	1997	1996	1995	1994
Net income	+ 9%	\$ 146.8	\$ 134.3	\$120.4	\$ 90.1	\$ 68.8
Operating cash earnings ¹	+ 29%	184.5	142.5	123.7	92.5	71.0
Per Share						
Net income (diluted)	+ 4%	\$ 1.91	\$ 1.84	\$ 1.66	\$ 1.36	\$ 1.08
Net income (basic)	+ 3%	1.93	1.88	1.69	1.38	1.10
Operating cash earnings (diluted) ¹	+ 23%	2.40	1.95	1.71	1.40	1.13
Dividends declared	+ 15%	.54	.47	.425	.3525	.29
Book value ²	+ 24%	12.89	10.40	9.04	7.71	6.44
Market price- end	+ 37%	62.38	45.38	26.00	20.06	8.97
Market price- high		62.38	46.00	26.00	20.28	10.50
Market price- low		38.38	25.69	16.69	8.88	8.38
At Year End <i>(in millions)</i>						
Assets	+ 53%	\$ 16,649	\$10,869	\$8,224	\$6,904	\$5,714
Loans and leases	+ 88%	10,633	5,669	4,503	3,533	2,791
Loans sold being serviced ³	+ 1%	1,057	1,050	868	831	787
Deposits	+ 67%	13,321	7,956	6,009	5,149	4,251
Shareholders' equity	+ 37%	1,014	742	641	535	413
Performance Ratios						
Return on average assets		1.11%	1.29%	1.53%	1.37%	1.12%
Return on average common equity		16.38%	19.08%	20.47%	19.36%	17.90%
Efficiency ratio		68.23%	60.85%	58.47%	61.44%	64.97%
Net interest margin		4.60%	4.42%	4.80%	4.63%	4.21%
Operating Cash Performance Ratios ¹						
Return on average assets		1.42%	1.38%	1.58%	1.41%	1.16%
Return on average common equity		26.46%	24.23%	22.84%	20.99%	19.43%
Efficiency ratio		61.10%	59.20%	57.75%	60.72%	64.15%
Capital Ratios ²						
Equity to assets		6.09%	6.83%	7.80%	7.75%	7.23%
Tier 1 leverage		5.98%	6.83%	9.05%	6.50%	6.33%
Tier 1 risk-based capital		8.46%	11.55%	14.43%	11.41%	11.69%
Total risk-based capital		11.48%	13.42%	16.65%	13.93%	14.57%
Selected Information						
Average common-equivalent shares <i>(in thousands)</i>		76,988	72,813	72,158	65,960	63,109
Common dividend payout ratio		27.69%	21.14%	20.76%	22.82%	25.11%
Full-time equivalent employees		6,793	4,895	3,874	3,498	3,018
Commercial banking offices		333	254	175	160	135
ATMs		463	509	362	284	230

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

Winning Strategies

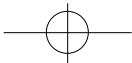
Just as in the game of chess, strategy is the foundation of a successful business. Chess moves are comparable to business moves from both a strategic and a tactical perspective. Former world chess champion Emmanuel Lasker said, regarding chess, “When you see a good move, wait – look for a better one.” Valuable advice for the chess player. Valuable, too, for a competitive business. Zions Bancorporation followed this adage when forming business moves in 1998: Consider options, consider smarter options, then move decisively.

Timing, in business as in chess, is the key. Businesses need to think two or three moves ahead. It’s crucial to consider how one move will affect the next. The result: priorities must be established and tasks executed to maximize effectiveness and efficiency.

Successful business strategies are also dependent upon an understanding of competitors’ strengths, weaknesses, and customary tactics. Ultimately, competitive victories in the marketplace are measured in increased shareholder value.

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To Our Shareholders

Nineteen ninety eight was an extraordinary year for Zions Bancorporation. We dramatically increased the reach of our franchise through solid internal expansion and a series of disciplined strategic acquisitions, setting the stage for continued growth in the future. We also produced record financial results, with strong gains in operating cash income and operating cash earnings per share.

FINANCIAL RESULTS

The Company's net cash operating earnings, before merger charges and amortization of goodwill and core deposit intangible assets, increased 29.4% to \$184.5 million from the restated \$142.5 million recorded in 1997. Net cash operating earnings per share increased 23.1% to \$2.40 from the restated \$1.95 per share in 1997. Net income in 1998, including after-tax merger-related charges of \$28.2 million, totaled \$146.8 million, up 9.3% from \$134.3 million achieved in 1997. Fully diluted net income per share increased 3.8% (including the effect of after-tax merger-related charges of \$.37 per share) to \$1.91 from \$1.84 in 1997.

Operating cash return on average tangible equity was 26.5%, an increase from the 24.2% achieved in the previous year.

Average net loans and leases outstanding increased to \$7.2 billion in 1998, up 41.3% from the \$5.1 billion outstanding in 1997, while average deposits increased 41.0% to \$9.5 billion from \$6.7 billion in 1997. The 1997 figures have been restated to reflect the effect of certain acquisitions in 1998 accounted for under the "pooling of interests" accounting method. Before restatements, average earning assets increased 78% in 1998, while average shares outstanding increased only 23% during the same period. Excluding loans and deposits gained through acquisitions which are not reflected in the year-ago financial statements, year-end 1998 on-balance sheet and securitized loans increased 18.6% and deposits increased 8.8% over the previous year's levels.

The net interest margin improved to 4.60% in 1998, up from 4.42% in 1997. The improvement in the margin resulted from an improved mix of assets during the year. A relatively flat yield curve during 1998 presented the twin challenges of a higher rate of mortgage prepayments and lower investment yields. It nevertheless resulted in continued strong lending activity.

The Company's cash efficiency ratio (the ratio of operating costs - excluding merger charges and amortization of goodwill and certain other intangibles - as a percentage of revenues) was 61.1% in 1998, up from 59.2% in 1997. The increase was primarily the result of higher expense ratios at the Company's newly acquired operation in California.

The acquisition of The Sumitomo Bank of California for cash reduced the Company's capital ratios during 1998. The three measures of capital subject to regulatory review nevertheless remained within the "well capitalized" classification, and a strong level of cash generation, combined with a relatively moderate dividend payout promises to strengthen our capital position in 1999. The Sumitomo transaction also had the effect of measurably increasing our loan loss reserves. Total loss

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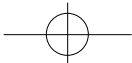
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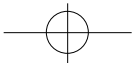
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The California Bank & Trust franchise presents a variety of challenges and opportunities. The challenges include enhancing the bank’s loan origination capabilities and broadening its product lines, strengthening the sales skills of its employees and increasing the bank’s efficiency. However, we believe our prospects for success are very high in this market. We acquired the bank for a very attractive price, giving us the ability to recruit some talented, veteran California bankers to supplement and strengthen the Sumitomo staff. The Sumitomo Bank of California’s employees have been extremely service-oriented and have a loyal customer following. As a result, customer retention has thus far exceeded our expectations. Our experience with Grossmont Bank has been extremely favorable, and the employees and officers of Grossmont have worked hard to ensure that the combined operation is a success. We will be introducing a variety of new products to California Bank & Trust’s customers, and we have developed incentives for virtually all of the bank’s employees based on building shareholder value. Finally, California Bank & Trust’s management group has been provided with significant incentives to create value over the next few years, including a 5% direct equity stake sold to a group of the bank’s senior officers, which will be subject to repurchase by Zions Bancorporation in four years based on the value of the investment at that time. We expect our California operations to provide a significant contribution to our results over the next several years.

We were also very active in 1998 expanding our franchise in Colorado, building on our acquisition of Aspen Bancshares in 1997. We completed the acquisition of Vectra Bank, with over \$700 million in assets, creating a solid base in the Denver metropolitan market and providing us with additional management strength. We then embarked on an expansion program which gave us additional locations in the greater Denver market, as well as extending our reach into the Colorado Springs area, Steamboat Springs, and the San Luis Valley in southern Colorado. Vectra Bank Colorado, the name of the resulting entity, has approximately \$2 billion in assets and is the fifth largest commercial banking organization in Colorado, with 52 branches throughout the state.

During 1998 we also completed the acquisition of The Commerce Bank of Washington, a boutique, business-oriented bank which has had an impressive track record since its founding 10 years ago. Based in Seattle, the bank is staffed with a group of professionals who are very focused on serving the needs of small and medium-sized businesses in the Puget Sound area.

ORGANIZATIONAL CHANGES

In light of the tremendous expansion we’ve experienced over the past few years, we organized a new subsidiary, Zions Management Services Company, to place under a single umbrella many of the “utility” support functions for Zions Bancorporation’s various operating units. These functions include finance, information systems and item processing, telephone call centers, credit policy and administration and the Company’s treasury and investment functions. Over time, we expect to achieve significant efficiencies by reducing overhead redundancies in these support departments.

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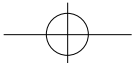
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YEAR 2000 PREPARATIONS

The media has begun to devote a great deal of attention to the “Year 2000” or “Y2K” phenomenon in recent times. Zions Bancorporation has been devoting a great deal of attention to the matter for the past several years. At issue is the fact that many older computer programs and hardware components use two-digit date fields in date-based calculations. The concern is that, with the advent of the new century, a computer program might understand a date such as 3/31/00 to mean March 31, 1900 instead of March 31, 2000, resulting in calculation errors and computer failures.

Because banking calculations are so heavily date-dependent, the issue has been the subject of intense focus by both bankers and regulators. Within Zions Bancorporation, we have a Year 2000 team in each of our operating units, overseen by a corporate-level Year 2000 Program Office. We have developed and have been executing detailed work plans with five major tasks: (1) inventorying all of the Corporation’s software systems and hardware; (2) assessing the Year 2000 compliance of each hardware and software component; (3) remediating or replacing systems which are not Year 2000 compliant; (4) testing all critical systems and hardware with sample data and post-2000 dates to ensure that each system functions properly, as well as testing links between systems; and (5) creating back-up and contingency plans in the event of system breakdowns. Additionally, credit administration personnel and loan officers have, over the past two years, been assessing the Year 2000 efforts and readiness of our larger borrowers in order to reduce the risk of borrower defaults caused by system failures in their own businesses.

In preparation for the Year 2000, we have, over the past three years, replaced several of our backbone software systems, including our consumer loan system, our deposit accounting system and our general ledger system with Year 2000-compliant products. We have also installed many updated versions of other systems, and we are replacing numerous desktop computers to ensure their functionality. Our computer operations in California and Arizona are out-sourced to a major national vendor, and we have been working closely with this provider, in concert with other clients, to ensure their readiness to accurately process transactions in the new year. We expect to have completed our systems testing by the end of the first quarter of 1999. As of the writing of this letter, we have experienced no material problems that cause us concern.

This has been a major project to which we have devoted substantial resources. Many of the expenditures we’ve incurred, however, were to replace aging systems and hardware nearing the end of its life cycle, and the result has been a general upgrade in the capabilities of many of these hardware and software systems. A number of outside observers have noted that the American banking industry is, as a whole, well ahead of other industries in preparing for the turn of the century. While the only absolute guarantee of success will come through the live production of data, we feel confident that we will be well prepared with respect to Year 2000 issues as we enter the new year.

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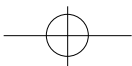
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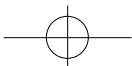
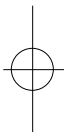


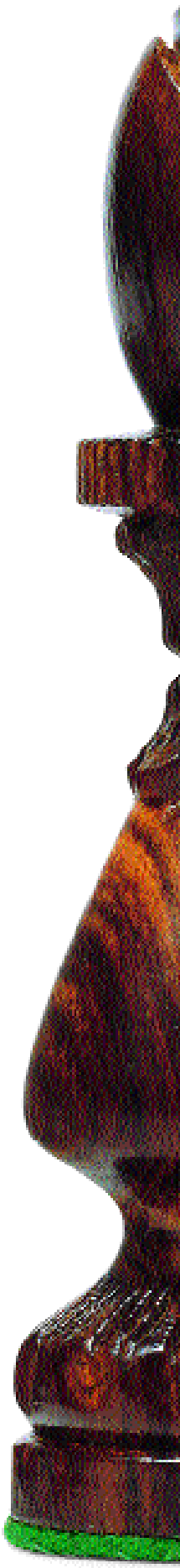
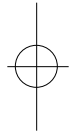
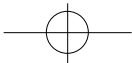
Community Banking

Moves that Make Sense



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California

The year 1998 is highlighted by the Company's most significant acquisition to date. Starting from the base of the former Grossmont Bank in San Diego, Zions completed its acquisition of FP Bancorp and its subsidiary, First Pacific National Bank, with offices in San Diego and Riverside counties. In the first quarter, Zions surprised many observers when it announced an agreement to acquire The Sumitomo Bank of California ("Sumitomo"), with approximately \$4.5 billion in assets. □ These moves give the Company a foothold in the important Los Angeles and San Francisco markets. The Sumitomo acquisition was completed during the fourth quarter. The three banks were merged into a single, statewide franchise, and the name was changed to **California Bank & Trust** ("CB&T") □ Referring to itself as a super-community bank, CB&T is headquartered in the San Francisco Bay area. However, consistent with the Company's community banking philosophy, each region has local management and decision-making authority. □ California Bank & Trust has an initial statewide network of 71 offices and assets of approximately \$6 billion, making it the sixth largest commercial bank in California. The state of California is projected to be the fastest growing in the United States over the next 30 years. □ California Bank & Trust will focus on delivering what Californians need and deserve: a bank with a statewide reach, centered around relationship banking and delivered through a regional approach. □ Largely as a result of initiatives by new local management and an expanded array of services and products, former Sumitomo customers are rewarding the new bank with their loyalty and additional business. □ **Colorado** Aggressive acquisitions were undertaken to establish a significant and

Significant Acquisitions

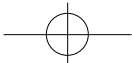


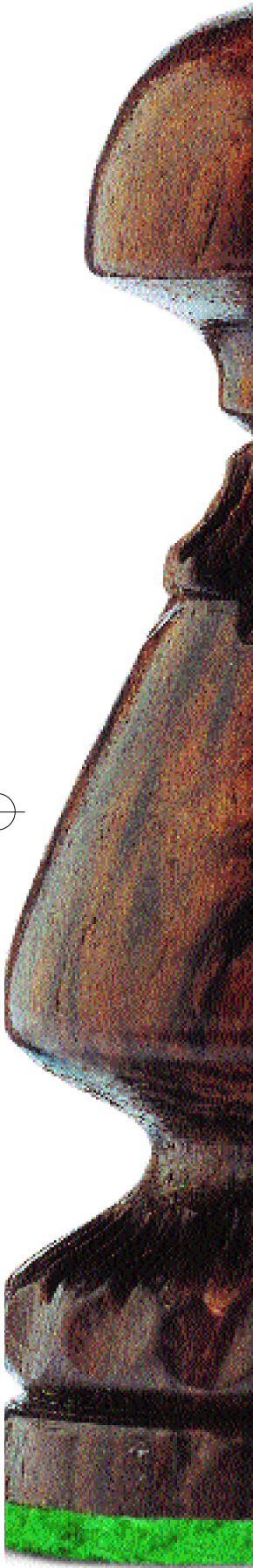
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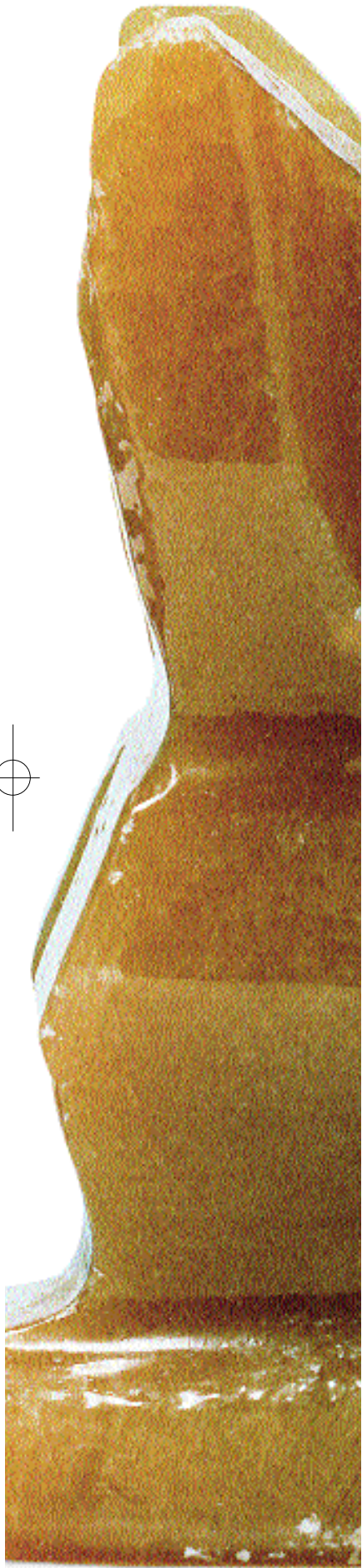


In addition to acquiring other banking franchises, Zions Bancorporation's strategy is to leverage its existing branch network and selectively expand within the states it serves. Excluding the loans and deposits from the Company's acquisitions, which are not reflected in the previous-year balances, on-balance-sheet and securitized loans in 1998 increased 18.6% and deposits were up 8.8% from a year ago. □ The Company's Utah/Idaho banking affiliate, **Zions First National Bank**, continued to achieve growth through its well-developed branch and ATM distribution network, as well as the increasingly important online and telephone banking channels. A new branch was opened in Idaho Falls, Idaho, and the Bank moved into new offices in Park City, Utah and Rigby, Idaho. Also, three convenient new grocery store branches were opened, bringing the total to 44. In addition, the Bank targets key segments through its Private Banking, Executive Banking and Women's Financial Groups. In 1998, Zions Bank celebrated its 125th anniversary with a retail loan campaign that generated record loan originations approaching \$500 million. □ **Nevada State Bank** ("NSB") is the oldest state-chartered bank in Nevada (1959). In 1998, NSB added seven branches and grew to more than \$1.1 billion in assets and a total of 44 locations. Because NSB competes with large, national banking operations, its strategy is to emphasize its community bank leadership position, providing personalized, client first service. □ As in previous years, **National Bank of Arizona** ("NBA") continues to focus on the business and executive banking segments, while expanding its retail branch operations. Three new offices were opened during the year: one in the southeast corner of Arizona, at Sierra Vista, and two in the popular Sedona area, at Cottonwood and the Village of Oak Creek. This brings the total to 33 branch offices statewide.



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Internal Growth



While banking is the Company's core business, an ever-increasing component of revenue comes from complementary niche businesses. Each of these represents high growth prospects and potential for revenue enhancements, leveraging the Company's competencies and resources. □ Some of these businesses represent pioneering technologies while others merely represent underserved markets or undiscovered opportunities. The common thread is that these businesses result from creative, "outside the box" thinking. □ Because these businesses are providing complementary products to a growing client base, they help to deepen relationships with current clients and diversify earnings from the core banking franchise.

□ **Digital Signature Trust Company** With the rapid growth in electronic commerce, Digital Signature Trust Company offers an intriguing opportunity for Zions Bancorporation's future. □ Early in the year, Zions Bank received approval from the Office of the Comptroller of the Currency ("OCC") to establish an operating subsidiary to act as a certification authority and repository for certificates used to verify digital signatures. DST was the first bank subsidiary in the nation to receive such approval. □ As a certification authority, DST issues, stores and verifies digital certificates that are used in the digital "signing" of electronic documents and transactions. Digital signatures are a form of electronic authentication, permitting a recipient to compare decoded signatures with the message and confirm that the message has not been altered. □ In September, DST announced it had become American Bankers Association's exclusive partner in providing secure e-commerce technology services for a new ABA subsidiary. ABAecomSM will serve as the "trusted third party" in providing an assortment of electronic authentication and encryption services for financial institutions. These services will include a Web site authentication seal and digital certificates to allow financial institutions and their customers to engage in private, secure communications. □ **Electronic Bond Trading** As the only primary dealer in U.S. Treasury securities headquartered west of the Mississippi River, Zions Bank acts as underwriter and distributor of U.S. Treasury and Federal Agency securities. It has pioneered the online trading of such government securities through its Web sites, www.oddlot.com and

Complementary Businesses

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and diversify



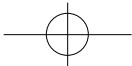
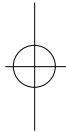
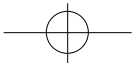
Technology

for the next millennium

Technological advances already have changed the face of the financial services industry. This trend is expected to continue at a faster pace in future years. New technologies continue to revolutionize the industry, paving the way to a brighter, more customer-oriented financial services future. Zions Bancorporation is a leader in utilizing new technologies to provide state-of-the-art, creative solutions to satisfy financial needs. □ Rapidly expanding use of the Internet presents several new opportunities almost daily for many financial service providers. Internet banking is increasingly being used by individuals and businesses. In the state of Utah, the number of Zions Internet banking customers grew by over 200 percent in 1998. New electronic services include brokerage, bill payment and loan applications, each of which helps add to Zions Bank's image as a regional area leader in Internet banking. Nevada State Bank introduced its Web site and Internet banking in 1998. Internet banking applications are being developed for the Company's other banking affiliates. □ Zions Bancorporation will continue to explore new, innovative applications of emerging technologies that have the potential of deepening client relationships, diversifying earnings, serving under-served markets or creating new, profitable business opportunities.

Zions Bancorporation
is a leader in utilizing new technologies
to provide state-of-the-art,
creative solutions to
satisfy financial needs.





Zions Bancorporation remains committed to the strategy of allowing local bank affiliates to run their own businesses with local managers who know their markets, understand unique community needs and deliver the highest quality customer service. Recognizing the need to also deliver these services in the most efficient and cost-effective manner, the Company centralized and consolidated certain back-office, support functions. □ **Zions Management Services Company** (“ZMSC”) was created in 1998 to provide this support. ZMSC serves as an umbrella organization, delivering a variety of support services to affiliates. It provides a higher level of quality, consistency, and cost-effective delivery of services than could be achieved by any of the affiliates on a stand-alone basis. At the same time, ZMSC provides a set of operating controls to assure that these support functions are being performed in a safe and sound manner. ZMSC provides assistance to affiliates in the areas of operations/information systems, human resources, finance and accounting, credit policy, credit administration, and investments. □ In addition, ZMSC operates centralized call

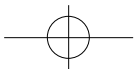
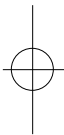
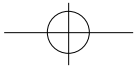
centers for taking loan applications and providing telephone customer service. Call centers are equipped to respond to calls from customers of any affiliate, using a multiple que environment, which enables the bank to optimize staffing efficiency and allows a customer service representative to use the local bank’s name and database to assist the caller.

Operational Integration



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Management’s Comments

PERFORMANCE SUMMARY

Zions Bancorporation reported record earnings of \$146.8 million or \$1.91 per share in 1998. Net income and diluted net income per share increased 9.3% and 3.8%, respectively, over the restated \$134.3 million or \$1.84 per share for 1997 which were up 11.5% and 10.8%, respectively, over the restated \$120.4 million or \$1.66 per share earned in 1996. Dividends per share were \$.54 per share in 1998, an increase of 14.9% over \$.47 in 1997, which were up 10.6% from \$.425 in 1996. Financial results have been restated for prior periods to reflect the acquisitions of Vectra Banking Corporation, FP Bancorp, Inc. and The Commerce Bancorporation during 1998, which were accounted for as poolings of interests and considered significant. The acquisition of The Sumitomo Bank of California was accounted for as a purchase and results of operations are included subsequent to the acquisition date of October 1, 1998. Therefore, results of operations for 1998 can not be compared directly with prior periods.

Included in reported net income were after-tax merger expenses of \$28.2 million or \$.37 per share in 1998 and \$2.2 million or \$.03 per share in 1997. Excluding merger expenses, earnings for 1998 would have been \$175.0 million or \$2.28 per share, an increase of 28.2% and 21.9%, respectively over \$136.5 or \$1.87 for 1997. Merger expenses in 1998 relate to the Company’s acquisitions of 12 banking organizations during the year and are further discussed in Note 2 of Notes to Consolidated Financial Statements.

The return on average shareholders’ equity was 16.38% and the return on average assets was 1.11% for 1998, compared with 19.08% and 1.29%, respectively, in 1997, and 20.47% and 1.53%, respectively, in 1996.

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 \$184.5 million or \$2.40 per share for 1998, an increase of 29.4% and 23.1%, respectively, over the \$142.5 or \$1.95 per share for 1997, which was up 15.2% and 14.0% over the \$123.7 million or \$1.71 per share in 1996. The return on average shareholders’ equity and the return on average assets on an operating cash basis were 26.46% and 1.42%, respectively, for 1998 compared to 24.23% and 1.38% for 1997 and 22.84% and 1.58% for 1996.

The strong performance of the Company was driven by a 41.4% growth in average loans and leases and a 26.6% growth in average total earning assets that led to a 31.6% increase in taxable-equivalent net interest income to \$552.7 million in 1998. Noninterest income increased 37.1% to \$200.7 million in 1998, with strong growth in service charges, trust income, underwriting and trading income, and loan sales and servicing income. Noninterest expense, including merger expenses, increased 49.2% to \$514.1 million in 1998. Excluding merger expenses, noninterest expense increased 37.8% over 1997. The increase in revenue and noninterest expense is mainly attributable to the record growth of the Company during 1998 through acquisitions and expansion. The number of full-time equivalent employees increased to 6,793 at year-end 1998 from 4,895 at the end of 1997 and banking offices increased to 333 from 254. Increased expenses, related primarily to acquisitions and related conversion and functional integration, resulted in an increase in the Company’s efficiency ratio, or noninterest expenses as a percentage of total taxable-equivalent net revenues to 68.23% for 1998 compared to 60.85% for 1997 and 58.47% for 1996. The operating cash performance efficiency ratio was 61.10% for 1998 compared to 59.20% for 1997 and 57.75% for 1996.

The Company’s provision for loan losses totaled \$12.2 million for 1998 compared to \$7.8 million for 1997. Net charge-offs were \$14.9 million, or .21% of average loans and leases in 1998 compared to \$9.5 million or .19% in 1997. Nonperforming assets increased to \$64 million or .60% of loans and other real estate owned on December 31, 1998 from \$24 million or .41% on December 31, 1997. Nonperforming assets on December 31, 1998 include \$29 million related to the acquired loans of The Sumitomo Bank of California.

Business Segment Results

The Company manages its operations and prepares management reports with a primary focus on geographical area. Operating segments information, including earnings performance on an operating cash basis, is presented in Schedule 1. 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 growth in 1998 with loans increasing 26.2% over 1997 and deposits increasing 7.3%. Operating cash earnings for 1998 decreased 1.0% to \$88.6 million as compared to \$89.4 million in 1997, which were up 6.9% from \$83.6 million for 1997. Net income decreased 1.4% to \$87.4 million compared to \$88.6 million in 1997 which was up 6.6% from the \$83.1 million earned in 1997. The decrease for 1998 was mainly the result of a \$23.0 million provision for loan losses in 1998. The Bank did not make a provision for loans losses in 1997 or 1996. Net interest income for 1998 increased 7.8% to \$222.0 million, noninterest income increased 25.4% to \$142.7 million and noninterest expense on an operating cash basis increased 17.5% to \$217.1 million. Zions First National Bank and Subsidiaries operating cash performance efficiency ratio was 58.75% in 1998 as compared to 56.85% in 1997 and 54.50% in 1996.

Zions First National Bank opened two new grocery store banking centers during 1998, bringing the total number of banking centers in Utah to 40 and total offices in Utah to 116. Zions First National Bank also operates two grocery store banking centers and 13 traditional branches in Idaho.

CALIFORNIA BANK & TRUST

During 1998, the Company acquired FP Bancorp, Inc. and The Sumitomo Bank of California and merged them into Grossmont Bank, which was renamed California Bank & Trust. The merged banks operate 71 branches in Northern and Southern California. The acquisition of FP Bancorp, Inc. was accounted for as a pooling of interests. The acquisition was considered significant and financial information was restated for all prior years. The acquisition of The Sumitomo Bank of California was accounted for as a purchase and results of operations prior to the acquisition date of October 1, 1998 are not included in the segment information. Therefore, the year 1998 is not comparable to prior years. On the acquisition date, The Sumitomo Bank of California had total assets of \$4,545 million, loans of \$3,417 million and deposits of \$3,955 million. See Note 2 of Notes to Consolidated Financial Statements for further information about the acquisitions.

Operating cash earnings for 1998 were \$41.8 million and net income was \$23.2 million for California Bank & Trust. The Bank incurred pre-tax merger expenses of \$27.7 million during 1998 related to the FP and Sumitomo acquisitions. Return on average equity was 12.91% and operating cash return on average equity was 30.06%. The operating cash efficiency ratio for 1998 was 61.56%. At year-end total assets were \$6,013, total loans were \$4,183 and total deposits were \$5,349. For 1997, compared to 1996, operating cash earnings increased 44.3% to \$16.6 million and net income increased 46.3% to \$15.8 million. The increase was driven by a 33.6% increase in net interest income mainly attributable to a 36.0% increase in average loans from 1996 to 1997.

VECTRA BANK COLORADO

In January 1998, the Company acquired Vectra Banking Corporation in a transaction accounted for as a pooling of interests. Vectra had total assets of \$703 million, loans of \$413 million and deposits of \$556 million. The transaction was considered material and financial information was restated for all prior years. 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 increased 179.2% to \$14.8 million from \$5.3 million in 1997 which was down from \$5.4 million for 1996. Operating cash earnings were up 183.6% to \$20.7 million for 1998 compared to \$7.3 million for 1997 and \$5.6 million for 1996. Pre-tax merger expenses of \$4.6 million were incurred during 1998 in connection with the acquisitions. The increased earnings for 1998 resulted from strong loan growth which resulted in a 90.0% increase in net interest income. Net income for 1997 was down from 1996 mainly due to a \$5.9 million loss on securities recognized during 1997. The operating cash efficiency ratio decreased to 60.54% for 1998 compared to 71.36% for 1997 which was up from 64.80% for 1996. Vectra Bank Colorado operates 52 branches in Colorado and one branch in New Mexico.

NATIONAL BANK OF ARIZONA

Operating cash earnings at National Bank of Arizona increased 23.4% to \$23.7 million in 1998 as compared to \$19.2 million in 1997 and \$15.8 million for 1996. Net income was up 24.7% to \$22.2 million in 1998 as compared to \$17.8 million in 1997 and \$14.7 million for 1996. The increases for both 1998 and 1997 were driven by strong loan growth with average loans increasing 17.7% for 1998 compared to 1997 and 21.3% for 1997 compared to 1996. Noninterest income for 1998 increased to \$9.3 million from \$6.3 million for 1997, an increase of 47.6%. The increase in noninterest income for 1998 included a \$1.4 million increase in service charges on deposit accounts and \$.8 million from a new trust operation started in Arizona during 1998. National Bank of Arizona's operating cash performance efficiency ratio was 49.73% in 1998 as compared to 49.86% in 1997 and 47.97% in 1996. National Bank of Arizona opened three new branches during 1998 bringing the total offices in Arizona to 33.

NEVADA STATE BANK

Nevada State Bank achieved operating cash earnings of \$15.0 million in 1998, an increase of 36.4% over \$11.0 million in 1997 which were up 48.6% from \$7.4 million in 1996. Net income increased 28.0% to \$13.7 million as compared to \$10.7 million in 1997 and \$7.3 million for 1996. Earnings growth for 1998 and 1997 was driven by increases in net interest income, which increased 35.8% for 1998 compared to 1997 and 44.4% for 1997 compared to 1996. Noninterest income increased 26.1% to \$15.0 million for 1998 compared to \$11.9 million for 1997 mainly due to an increase of \$2.0 million in service charges and other fee income. Nevada State Bank's operating cash performance efficiency ratio improved to 62.93% in 1998 as compared to 63.10% in 1997 and 64.67% for 1996. During 1998, Nevada State Bank opened three new grocery store banking centers bringing the total offices in Nevada to 43.

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 office located in Seattle, Washington. Operating cash earnings for 1998 were \$5.5 million, an increase of 22.2% from \$4.5 million earned in 1997 which were up 36.4% from \$3.3 million for 1996. Net income for 1998 was \$.1 million including \$5.4 million of after-tax merger expense compared to net income of \$4.5 million for 1997 and \$3.3 million for 1996. The operating cash efficiency ratio was 46.92% for 1998 compared to 50.10% for 1997 and 53.82% for 1996.

Income Statement Analysis

NET INTEREST INCOME, MARGIN AND INTEREST RATE SPREADS

Net interest income on a tax-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 1998, taxable-equivalent net interest income provided 73.4% of the Company's net revenues, compared with 74.2% in 1997 and 73.9% in 1996.

The Company's taxable-equivalent net interest income increased by 31.6% to \$552.7 million in 1998 as compared to \$419.9 million in 1997 and \$345.1 million in 1996. The increased level of taxable-equivalent net interest income was driven by a 26.6% and 32.0% growth in average earning assets for 1998 and 1997, 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 1998 was \$6.9 million compared to \$2.5 million in 1997 and \$2.0 million in 1996.

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 4.60% in 1998, 4.42% in 1997 and 4.80% in 1996. The decrease in the margin in 1997 was due primarily to interest expense on the \$200 million in trust preferred securities issued in December 1996, and increased arbitrage activity in money market investments and short-term borrowings to mitigate the reduction in net interest income from the preferred securities.

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 which 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 32% for all years presented.

SCHEDULE I
Operating Segments Information

	Zions First National Bank and Subsidiaries			California Bank & Trust			Vectra Bank Colorado		
(Amounts in millions)	1998	1997	1996	1998	1997	1996	1998	1997	1996
CONDENSED INCOME STATEMENT									
Net interest income	\$ 222.0	\$ 206.0	\$ 187.9	\$ 117.8	\$ 60.4	\$ 45.2	\$ 78.3	\$ 41.2	\$ 22.7
Noninterest income	142.7	113.8	93.7	15.1	8.0	5.4	14.8	1.0	4.5
Total revenue	364.7	319.8	281.6	132.9	68.4	50.6	93.1	42.2	27.2
Provision for loan losses	23.0	-	-	(18.4)	2.9	1.8	4.6	0.8	0.9
Noninterest expense ¹	217.1	184.8	156.5	82.1	38.4	33.9	57.2	30.3	17.7
Pretax cash earnings	124.6	135.0	125.1	69.2	27.1	14.9	31.3	11.1	8.6
Income tax expense (benefit)	36.0	45.6	41.5	27.4	10.5	3.4	10.6	3.8	3.0
Minority interest	-	-	-	-	-	-	-	-	-
Cash earnings ¹	88.6	89.4	83.6	41.8	16.6	11.5	20.7	7.3	5.6
Amortization of goodwill and CDI	1.7	1.1	0.5	1.9	0.8	0.7	3.1	2.0	0.2
Merger expense	-	-	-	27.7	-	-	4.6	-	-
Income tax (benefit)	(0.5)	(0.3)	-	(11.0)	-	-	(1.8)	-	-
Net income	\$ 87.4	\$ 88.6	\$ 83.1	\$ 23.2	\$ 15.8	\$ 10.8	\$ 14.8	\$ 5.3	\$ 5.4
AVERAGE BALANCE SHEET DATA									
Total assets	\$ 6,512	\$ 6,341	\$ 4,945	\$ 2,453	\$1,058	\$ 800	\$ 1,632	\$ 925	\$ 483
Net loans and leases	2,982	2,604	2,276	1,626	665	489	1,011	560	256
Sold loans being serviced ²	1,038	958	856	-	-	-	-	-	-
Allowance for loan losses	46	49	54	40	11	9	13	7	3
Total deposits	3,795	3,281	3,011	2,198	952	715	1,365	710	368
Common equity	395	418	355	179	83	68	193	104	38
END OF YEAR BALANCE SHEET DATA									
Total assets	\$ 6,042	\$ 5,894	\$ 4,863	\$ 6,013	\$1,211	\$ 940	\$ 1,955	\$1,204	\$ 562
Net loans and leases	3,509	2,781	2,476	4,183	727	599	1,212	717	320
Total deposits	3,934	3,666	3,168	5,349	1,086	832	1,689	952	439
PERFORMANCE RATIOS									
Return on average assets	1.34%	1.40%	1.68%	0.94%	1.50%	1.34%	0.91%	0.57%	1.13%
Return on average common equity	22.09%	21.18%	23.39%	12.91%	19.02%	15.79%	7.65%	5.09%	14.41%
Efficiency ratio	59.21%	57.20%	54.67%	83.79%	57.13%	68.44%	68.66%	76.05%	65.65%
OPERATING CASH PERFORMANCE RATIOS ¹									
Return on average assets	1.36%	1.41%	1.69%	1.73%	1.59%	1.45%	1.32%	0.83%	1.19%
Return on average common equity	23.51%	22.03%	23.78%	30.06%	23.10%	20.07%	16.90%	13.04%	17.00%
Efficiency ratio	58.75%	56.85%	54.50%	61.56%	55.95%	67.04%	60.54%	71.36%	64.80%
REGULATORY CAPITAL RATIOS									
Tier I leverage ratio	5.56%	5.66%	6.61%	5.40%	7.00%	5.77%	6.09%	7.57%	7.27%
Tier I risk-based capital ratio	9.04%	10.94%	11.36%	7.06%	9.89%	8.38%	9.17%	10.54%	10.49%
Total risk-based capital ratio	15.15%	18.22%	19.47%	10.78%	11.14%	9.63%	10.58%	11.66%	11.57%
OTHER INFORMATION									
Full-time equivalent employees	1,992	2,538	2,091	1,870	493	446	860	518	310
Domestic offices:									
Traditional branches	89	89	73	71	23	20	51	28	12
Banking centers in grocery stores	42	60	26	-	-	-	2	2	-
Foreign office	1	1	1	-	-	-	-	-	-
Total offices	132	130	100	71	23	20	53	30	12
ATMs	202	224	203	91	25	22	76	25	13

¹ Before amortization of goodwill and core deposit intangible assets and merger expense.
² Amount represents outstanding balance of loans sold and being serviced by the Company, excluding long-term first mortgage residential real estate loans.

National Bank of Arizona			Nevada State Bank and Subsidiary			The Commerce Bank of Washington			Other			Consolidated Company		
1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
\$ 70.7	\$ 61.6	\$ 50.5	\$ 50.4	\$37.1	\$25.7	\$ 13.9	\$12.6	\$10.1	\$ (9.3)	\$(6.4)	\$(4.4)	\$ 543.8	\$ 412.5	\$337.7
9.3	6.3	3.6	15.0	11.9	8.8	1.7	1.3	1.2	2.1	4.1	4.8	200.7	146.4	122.0
80.0	67.9	54.1	65.4	49.0	34.5	15.6	13.9	11.3	(7.2)	(2.3)	0.4	744.5	558.9	459.7
1.8	2.4	2.3	1.6	1.6	1.2	0.1	0.3	0.3	(0.5)	(0.2)	-	12.2	7.8	6.5
40.1	34.2	26.3	41.7	31.4	22.8	7.4	7.0	6.2	14.8	9.1	6.4	460.4	335.2	269.8
38.1	31.3	25.5	22.1	16.0	10.5	8.1	6.6	4.8	(21.5)	(11.2)	(6.0)	271.9	215.9	183.4
14.4	12.1	9.7	7.1	5.0	3.1	2.6	2.1	1.5	(11.2)	(5.7)	(2.4)	86.9	73.4	59.8
-	-	-	-	-	-	-	-	-	0.5	-	-	0.5	-	-
23.7	19.2	15.8	15.0	11.0	7.4	5.5	4.5	3.3	(10.8)	(5.5)	(3.6)	184.5	142.5	123.6
1.9	1.6	1.1	1.5	0.4	0.1	-	-	-	0.6	0.8	0.7	10.7	6.7	3.3
-	-	-	-	-	-	7.7	-	-	3.0	2.7	-	43.0	2.7	-
(0.4)	(0.2)	-	(0.2)	(0.1)	-	(2.3)	-	-	0.2	(0.6)	(0.1)	(16.0)	(1.2)	(0.1)
\$ 22.2	\$ 17.8	\$ 14.7	\$ 13.7	\$10.7	\$ 7.3	\$ 0.1	\$ 4.5	\$ 3.3	\$(14.6)	\$(8.4)	\$(4.2)	\$ 146.8	\$ 134.3	\$120.4
\$ 1,371	\$1,122	\$ 908	\$ 1,038	\$ 716	\$ 526	\$ 306	\$ 254	\$ 198	\$ (109)	\$ 4	\$ 2	\$ 13,203	\$10,420	\$7,862
879	747	616	513	352	230	155	140	122	8	4	4	7,174	5,072	3,993
-	-	-	-	-	-	-	-	-	-	-	-	1,038	958	856
16	14	11	8	5	3	2	2	2	1	1	1	126	89	83
1,168	989	800	863	629	466	214	191	157	(96)	(11)	(19)	9,507	6,741	5,498
112	99	93	88	46	44	23	21	19	(94)	(67)	(29)	896	704	588
\$ 1,452	\$1,352	\$1,024	\$ 1,121	\$ 988	\$ 571	\$ 337	\$ 298	\$ 238	\$ (271)	\$(78)	\$ 26	\$ 16,649	\$10,869	\$8,224
1,012	798	704	551	489	268	155	154	132	11	3	4	10,633	5,669	4,503
1,226	1,192	900	929	834	500	221	236	186	(27)	(10)	(16)	13,321	7,956	6,009
1.62%	1.59%	1.62%	1.32%	1.49%	1.38%	0.02%	1.76%	1.69%				1.11%	1.29%	1.53%
19.84%	17.98%	15.75%	15.56%	23.07%	16.41%	0.27%	20.91%	17.75%				16.38%	19.08%	20.47%
52.05%	52.15%	49.97%	65.17%	64.01%	64.96%	95.40%	50.10%	53.82%				68.23%	60.85%	58.47%
1.76%	1.75%	1.76%	1.48%	1.56%	1.39%	1.80%	1.76%	1.69%				1.42%	1.38%	1.58%
28.35%	25.84%	20.05%	25.44%	28.29%	16.60%	23.67%	20.91%	17.75%				26.46%	24.23%	22.84%
49.73%	49.86%	47.97%	62.93%	63.10%	64.67%	46.92%	50.10%	53.82%				61.10%	59.20%	57.75%
6.44%	6.07%	8.85%	5.44%	6.39%	7.86%	6.82%	8.71%	9.20%				5.98%	6.83%	9.05%
8.79%	9.04%	12.39%	8.99%	9.15%	12.58%	11.22%	12.59%	13.08%				8.46%	11.55%	14.43%
10.04%	10.30%	13.65%	10.22%	10.19%	13.62%	12.41%	13.84%	14.33%				11.48%	13.42%	16.65%
544	519	414	532	570	359	43	46	41	952	211	213	6,793	4,895	3,874
33	30	17	18	18	7	1	1	1	-	-	-	263	189	130
-	-	-	25	22	18	-	-	-	-	-	-	69	64	44
-	-	-	-	-	-	-	-	-	-	-	-	1	1	1
33	30	17	43	40	25	1	1	1	-	-	-	333	254	175
26	21	14	56	69	70	-	-	-	12	145	40	463	509	362

SCHEDULE 2

Distribution of Assets, Liabilities, and Shareholders' Equity

AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Amounts in millions)	1998			1997		
	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
ASSETS:						
Money market investments	\$ 1,556	\$ 88.5	5.69%	\$ 1,506	\$ 85.4	5.67%
Securities:						
Held to maturity	2,232	153.6	6.88%	1,885	132.3	7.02%
Available for sale	634	35.3	5.57%	762	51.1	6.71%
Trading account	429	24.0	5.59%	276	16.2	5.88%
Total securities	3,295	212.9	6.46%	2,923	199.6	6.83%
Loans:						
Loans held for sale	202	14.3	7.07%	163	11.9	7.27%
Net loans and leases ²	6,972	669.3	9.60%	4,909	490.0	9.98%
Total loans	7,174	683.6	9.53%	5,072	501.9	9.89%
Total interest-earning assets	\$ 12,025	\$ 985.0	8.19%	\$ 9,501	\$ 786.9	8.28%
Cash and due from banks	615			517		
Allowance for loan losses	(126)			(89)		
Goodwill and core deposit intangibles	199			116		
Other assets	490			375		
Total assets	\$ 13,203			\$ 10,420		
LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW deposits	\$ 1,160	\$ 33.2	2.86%	\$ 940	\$ 28.2	3.00%
Money market and super NOW deposits	3,475	123.9	3.57%	2,609	96.4	3.70%
Time deposits under \$100,000	1,587	82.3	5.19%	1,017	53.1	5.22%
Time deposits \$100,000 or more	833	46.1	5.53%	418	23.9	5.70%
Foreign deposits	182	8.2	4.52%	142	6.4	4.49%
Total interest-bearing deposits	7,237	293.7	4.06%	5,126	208.0	4.06%
Borrowed funds:						
Securities sold, not yet purchased	202	10.0	4.97%	92	5.4	5.82%
Federal funds purchased and security repurchase agreements	1,844	87.3	4.74%	2,223	115.1	5.18%
Commercial paper	28	1.6	5.77%	-	-	
FHLB advances and other borrowings:						
Less than one year	63	4.0	6.28%	84	5.7	6.72%
Over one year	114	6.6	5.79%	136	8.2	6.02%
Long-term debt	347	29.1	8.37%	274	24.6	8.98%
Total borrowed funds	2,598	138.6	5.33%	2,809	159.0	5.66%
Total interest-bearing liabilities	\$ 9,835	\$ 432.3	4.40%	\$ 7,935	\$ 367.0	4.63%
Noninterest-bearing deposits	2,269			1,616		
Other liabilities	194			165		
Total liabilities	12,298			9,716		
Minority interest	9			-		
Total shareholders' equity	896			704		
Total liabilities and shareholders' equity	\$ 13,203			\$ 10,420		
Spread on average interest-bearing funds			3.80%			3.66%
Net interest income and net yield on interest-earning assets		\$ 552.7	4.60%		\$ 419.9	4.42%

¹Taxable-equivalent rates used where applicable.
²Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.

	1996			1995			1994		
	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
	\$ 943	\$ 52.7	5.59%	\$ 961	\$ 57.0	5.93%	\$ 883	\$ 35.6	4.03%
	1,396	99.1	7.10%	1,183	85.8	7.25%	963	60.4	6.27%
	707	45.7	6.47%	624	41.3	6.62%	560	32.1	5.74%
	157	9.2	5.87%	147	9.3	6.30%	291	16.5	5.68%
	2,260	154.0	6.82%	1,954	136.4	6.98%	1,814	109.0	6.01%
	151	11.6	7.62%	116	9.3	7.99%	188	12.3	6.56%
	3,842	383.8	9.99%	2,975	307.2	10.33%	2,751	253.1	9.20%
	3,993	395.4	9.90%	3,091	316.5	10.24%	2,939	265.4	9.03%
	\$ 7,196	\$ 602.1	8.37%	\$ 6,006	\$ 509.9	8.49%	\$ 5,636	\$ 410.0	7.28%
	409			368			370		
	(83)			(76)			(75)		
	47			25			19		
	293			257			216		
	\$ 7,862			\$ 6,580			\$ 6,166		
	\$ 828	\$ 26.0	3.14%	\$ 873	\$ 26.6	3.04%	\$ 875	\$ 25.4	2.90%
	2,168	78.2	3.61%	1,640	66.4	4.05%	1,460	44.6	3.05%
	828	43.3	5.23%	705	36.8	5.22%	566	22.1	3.91%
	284	16.0	5.60%	187	10.9	5.82%	133	5.3	3.95%
	121	5.4	4.46%	139	7.2	5.16%	108	4.4	4.10%
	4,229	168.9	3.99%	3,544	147.9	4.17%	3,142	101.8	3.24%
	77	4.5	5.85%	90	5.6	6.23%	184	11.0	5.95%
	1,365	68.4	5.02%	1,067	58.3	5.47%	1,081	42.2	3.91%
	-	-		-	-		-	-	
	66	4.3	6.47%	131	8.8	6.70%	134	6.9	5.20%
	88	5.3	6.04%	97	5.8	5.96%	119	5.5	4.60%
	63	5.6	8.78%	62	5.5	8.86%	64	5.1	8.00%
	1,659	88.1	5.31%	1,447	84.0	5.80%	1,582	70.7	4.47%
	\$ 5,888	\$ 257.0	4.37%	\$ 4,991	\$ 231.9	4.65%	\$ 4,724	\$ 172.5	3.65%
	1,269			1,013			972		
	117			111			86		
	7,274			6,115			5,782		
	-			-			-		
	588			465			384		
	\$ 7,862			\$ 6,580			\$ 6,166		
			4.00%			3.84%			3.62%
		\$ 345.1	4.80%		\$ 278.0	4.63%		\$ 237.5	4.21%

SCHEDULE 3

Analysis of Interest Changes Due to Volume and Rate

(Amounts in millions)	1998 over 1997			1997 over 1996		
	Changes due to		Total changes	Changes due to		Total changes
	Volume	Rate ¹		Volume	Rate ¹	
INTEREST-EARNING ASSETS:						
Money market investments	\$ 2.8	\$ 0.3	\$ 3.1	\$ 31.9	\$ 0.8	\$ 32.7
Securities:						
Held to maturity	23.9	(2.6)	21.3	34.5	(1.3)	33.2
Available for sale	(7.1)	(8.7)	(15.8)	3.6	1.8	5.4
Trading account	8.6	(0.8)	7.8	7.0	-	7.0
Total securities	25.4	(12.1)	13.3	45.1	0.5	45.6
Loans:						
Loans held for sale	2.7	(0.3)	2.4	0.9	(0.6)	0.3
Net loans and leases ²	198.0	(18.7)	179.3	106.5	(0.3)	106.2
Total loans	200.7	(19.0)	181.7	107.4	(0.9)	106.5
Total interest-earning assets	\$ 228.9	\$ (30.8)	\$ 198.1	\$ 184.4	\$ 0.4	\$ 184.8
INTEREST-BEARING LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW deposits	\$ 6.3	\$ (1.3)	\$ 5.0	\$ 3.4	\$ (1.2)	\$ 2.2
Money market and super NOW deposits	30.9	(3.4)	27.5	16.3	1.9	18.2
Time deposits under \$100,000	29.5	(0.3)	29.2	9.9	(0.1)	9.8
Time deposits \$100,000 or more	22.9	(0.7)	22.2	7.6	0.3	7.9
Foreign deposits	1.8	-	1.8	1.0	-	1.0
Total interest-bearing deposits	91.4	(5.7)	85.7	38.2	0.9	39.1
Borrowed funds:						
Securities sold, not yet purchased	5.4	(0.8)	4.6	0.9	-	0.9
Federal funds purchased and security repurchase agreements	(18.0)	(9.8)	(27.8)	44.4	2.3	46.7
Commercial paper	0.8	0.8	1.6	-	-	-
FHLB advances and other borrowings:						
Less than one year	(1.3)	(0.4)	(1.7)	1.2	0.2	1.4
Over one year	(1.3)	(0.3)	(1.6)	2.9	-	2.9
Long-term debt	6.1	(1.6)	4.5	18.9	0.1	19.0
Total borrowed funds	(8.3)	(12.1)	(20.4)	68.3	2.6	70.9
Total interest-bearing liabilities	\$ 83.1	\$ (17.8)	\$ 65.3	\$ 106.5	\$ 3.5	\$ 110.0
Change in net interest income	\$ 145.8	\$ (13.0)	\$ 132.8	\$ 77.9	\$ (3.1)	\$ 74.8

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 \$12.2 million in 1998 compared to \$7.8 million in 1997 and \$6.5 million in 1996. The provision was .17% of average loans for 1998, .15% in 1997 and .16% for 1996.

NONINTEREST INCOME

Noninterest income comprised 26.6% of net revenue in 1998 compared to 25.8% in 1997 and 26.1% in 1996. Noninterest income was \$200.7 million in 1998, an increase of 37.1% over \$146.4 million in 1997, which was up 20.0% over \$122.0 million in 1996. Noninterest income for 1998 includes \$5.3 million from Sumitomo since the acquisition date. Without Sumitomo, noninterest income increased 33.5% from 1997. Schedule 4 shows the major components of noninterest income.

SCHEDULE 4

Noninterest Income

<i>(Amounts in millions)</i>	1998	Percent change	1997	Percent change	1996	Percent change	1995	Percent change	1994
Service charges on deposit accounts	\$ 58.2	20.0%	\$ 48.5	22.8%	\$ 39.5	20.4%	\$ 32.8	18.4%	\$ 27.7
Other service charges, commissions and fees	54.7	35.1	40.5	32.4	30.6	18.6	25.8	12.2	23.0
Trust income	9.4	38.2	6.8	30.8	5.2	20.9	4.3	-	4.3
Investment securities gains (losses), net	2.1	141.2	(5.1)	(1,175.0)	(0.4)	(300.0)	(0.1)	75.0	(0.4)
Underwriting and trading income (loss)	9.2	61.4	5.7	111.1	2.7	325.0	(1.2)	(233.3)	0.9
Loan sales and servicing income	50.4	24.8	40.4	10.4	36.6	44.7	25.3	66.4	15.2
Other income	16.7	74.0	9.6	23.1	7.8	(12.4)	8.9	7.2	8.3
Total	\$ 200.7	37.1%	\$ 146.4	20.0%	\$ 122.0	27.3%	\$ 95.8	21.3%	\$ 79.0

The 20.0% and 22.8% increases in deposit service charges for 1998 and 1997 reflect the continued increase of the Company’s 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 \$54.7 million in 1998, an increase of 35.1% over 1997, which was 32.4% above 1996. Loan sales and servicing income rose 24.8% in 1998 to \$50.4 million, over \$40.4 million in 1997 which was 10.4% above 1996. Underwriting and trading income increased 61.4% to \$9.2 million in 1998 from \$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.

Trust income increased to \$9.4 million in 1998, up 38.2% from 1997, which was up 30.8% from 1996. Managed trust funds, including \$649 million managed by California Bank & Trust, increased 58.2% to \$2,876 million at year-end 1998 compared to \$1,818 million at year-end 1997. Other income, which includes certain fees, income from unconsolidated subsidiaries and associated companies, net gains on sales of fixed assets, mortgage servicing and other assets, and other items was \$16.7 million in 1998 an increase of 74.0% from 1997. The increase for 1998 was mainly due to increased income from the Company’s investments in MACC Private Equities, Inc. and Federal Agricultural Mortgage Corporation accounted for under the equity method, income from bank-owned life insurance policies and increased gains from the sale of mortgage servicing.

NONINTEREST EXPENSE

The Company’s noninterest expense was \$514.1 million in 1998, an increase of 49.2% over \$344.6 million in 1997, which was up 26.2% over the \$273.1 million in 1996. Included in 1998 expense was \$43.0 million in merger expenses related to the Company’s acquisitions during 1998. Also included for 1998 was an additional \$35.9 million of other Sumitomo expense since the acquisition date. Without the merger and Sumitomo expense, noninterest expense for 1998 increased 26.3% over 1997. Schedule 5 shows the major components of noninterest expense.

SCHEDULE 5
Noninterest Expense

<i>(Amounts in millions)</i>	1998	Percent change	1997	Percent change	1996	Percent change	1995	Percent change	1994
Salaries and benefits	\$249.6	35.1%	\$184.7	22.7%	\$150.5	21.8%	\$123.6	13.6%	\$108.8
Occupancy, net	30.1	59.3	18.9	21.9	15.5	5.4	14.7	9.7	13.4
Furniture and equipment	36.2	28.8	28.1	34.4	20.9	44.1	14.5	19.8	12.1
Other real estate expense	0.7	75.0	0.4	100.0	0.2	(75.0)	0.8	14.3	0.7
Legal and professional services	15.3	71.9	8.9	39.1	6.4	6.7	6.0	(4.8)	6.3
Supplies	11.3	22.8	9.2	22.7	7.5	31.6	5.7	11.8	5.1
Postage	10.3	37.3	7.5	19.0	6.3	3.3	6.1	10.9	5.5
Advertising	11.9	56.6	7.6	26.7	6.0	11.1	5.4	50.0	3.6
FDIC premiums	1.4	75.0	0.8	700.0	0.1	(98.0)	4.9	(43.7)	8.7
Merger expense	43.0	1,492.6	2.7	-	-	-	-	-	-
Amortization of goodwill and core deposit intangibles	10.7	59.7	6.7	103.0	3.3	22.2	2.7	3.8	2.6
Amortization of mortgage servicing assets	5.5	161.9	2.1	61.5	1.3	8.3	1.2	(29.4)	1.7
Other expenses	88.1	31.5	67.0	21.6	55.1	24.9	44.1	18.5	37.2
Total	\$514.1	49.2%	\$344.6	26.2%	\$273.1	18.9%	\$229.7	11.7%	\$205.7

In 1998 and 1997, 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.

On December 31, 1998, the Company had 6,793 full-time equivalent employees and 333 offices for increases of 38.8% and 31.1%, respectively, compared to year-end 1997. On December 31, 1997, the Company had 4,895 full-time equivalent employees and 254 offices for increases of 26.4% and 45.1%, respectively, compared to year-end 1996.

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, increased to 61.10% in 1998 compared to 59.20% in 1997 and 57.75% in 1996.

INCOME TAXES

The Company’s income tax expense for 1998 was \$70.9 million compared to \$72.2 million in 1997 and \$59.7 million in 1996. The Company’s effective income tax rate was 32.5% in 1998, 35.0% in 1997 and 33.1% in 1996. The decrease in the effective tax rate for 1998 results primarily from decisions regarding a corporate reorganization over the past year.

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 26.6% to \$12,025 million in 1998 compared to \$9,501 million in 1997. Earning assets comprised 91.1% of total average assets in 1998 compared with 91.2% in 1997.

Average money market investments, consisting of interest-bearing deposits, federal funds sold and security resell agreements increased 3.3% to \$1,556 million in 1998 compared to \$1,506 million in 1997.

Average securities increased 12.8% to \$3,295 million in 1998, compared to \$2,923 million in 1997. Average held to maturity securities increased 18.4% to \$2,232 million, available for sale securities decreased 16.7% to \$634 million and trading account securities increased 55.9% to \$429 million. Average net loans and leases increased 41.4% to \$7,174 million in 1998 compared to \$5,072 million in 1997, representing 59.7% of earning assets in 1998 compared to 53.4% in 1997. Average net loans and leases were 75.5% of average total deposits in 1998, as compared to 75.2% in 1997.

SCHEDULE 6

Investment Securities Portfolio

	December 31,					
	1998		1997		1996	
	Amortized cost	Market value	Amortized cost	Market value	Amortized cost	Market value
(Amounts in millions)						
HELD TO MATURITY:						
U.S. Treasury securities	\$ 62	\$ 62	\$ 4	\$ 4	\$ 33	\$ 33
U.S. government agencies and corporations:						
Small Business Administration loan-backed securities	358	356	441	449	488	492
Other agency securities	940	944	1,426	1,432	643	642
States and political subdivisions	285	293	240	245	269	274
Mortgage-backed securities	1,159	1,166	89	90	76	77
	2,804	2,821	2,200	2,220	1,509	1,518
AVAILABLE FOR SALE:						
U.S. Treasury securities	46	47	37	38	30	30
U.S. government agencies and corporations:						
Small Business Administration originator fees certificates	85	69	75	72	50	46
Other agency securities	112	113	347	347	173	172
States and political subdivisions	15	16	31	32	42	44
Mortgage- and other asset-backed securities	179	180	83	84	262	256
	437	425	573	573	557	548
Equity securities:						
Mutual funds:						
Accessor Funds, Inc.	117	118	109	111	109	109
Stock:						
Federal Home Loan Bank	101	101	98	98	85	85
Other	36	41	24	25	18	18
	254	260	231	234	212	212
	691	685	804	807	769	760
Total	\$ 3,495	\$ 3,506	\$ 3,004	\$ 3,027	\$ 2,278	\$ 2,278

INVESTMENT SECURITIES PORTFOLIO

Schedule 6 presents the Company's year-end investment securities on December 31, 1998, 1997 and 1996. Schedule 7 presents the Company's maturities and average yields on securities on December 31, 1998. See Note 3 of Notes to Consolidated Financial Statements for additional information about securities.

SCHEDULE 7

Maturities and Average Yields on Securities

ON DECEMBER 31, 1998

(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 ¹	Amount	Yield ¹	Amount	Yield ¹	Amount	Yield ¹	Amount	Yield ¹
HELD TO MATURITY:										
U.S. Treasury securities	\$ 62	6.0%	\$ 61	6.0%	\$ 1	6.3%	\$ -		\$ -	
U. S. government agencies and corporations:										
Small Business										
Administration loan-backed securities	358	6.5%	75	6.5%	157	6.4%	83	6.5%	43	6.6%
Other agency securities	940	6.3%	41	5.8%	337	6.5%	530	6.2%	32	7.7%
States and political subdivisions	285	7.8%	41	7.4%	129	7.8%	64	7.9%	51	7.6%
Mortgage-backed securities	1,159	6.4%	393	6.4%	606	6.4%	135	6.4%	25	6.4%
	<u>2,804</u>	6.5%	<u>611</u>	6.4%	<u>1,230</u>	6.6%	<u>812</u>	6.4%	<u>151</u>	7.1%
AVAILABLE FOR SALE:										
U.S. Treasury securities	46	6.1%	28	6.0%	17	6.2%	-		1	8.4%
U. S. government agencies and corporations:										
Small Business										
Administration originator fees certificates ²	85	3.6%	13	3.6%	37	3.6%	22	3.6%	13	3.6%
Other agency securities	112	6.1%	11	5.8%	92	6.1%	8	6.3%	1	5.3%
States and political subdivisions	15	7.2%	2	5.8%	7	7.6%	6	7.1%	-	
Mortgage- and other asset-backed securities	179	6.0%	39	5.7%	79	6.0%	28	6.0%	33	6.3%
	<u>437</u>	6.7%	<u>94</u>	6.3%	<u>232</u>	6.6%	<u>64</u>	7.3%	<u>47</u>	7.1%
Equity securities:										
Mutual funds:										
Accessor Funds, Inc.	117	4.7%	-		-		-		117	4.7%
Stock:										
Federal Home Loan Bank	101	7.5%	-		-		-		101	7.5%
Other	36	9.5%	-		-		-		36	9.5%
	<u>254</u>	6.5%	<u>-</u>		<u>-</u>		<u>-</u>		<u>254</u>	6.5%
	<u>691</u>	6.6%	<u>94</u>	6.3%	<u>232</u>	6.6%	<u>64</u>	7.3%	<u>301</u>	6.6%
Total	<u>\$3,495</u>	6.5%	<u>\$ 705</u>	6.4%	<u>\$1,462</u>	6.6%	<u>\$ 876</u>	6.4%	<u>\$ 452</u>	6.8%

¹Taxable-equivalent rates used where applicable.

²Rates determined using a 16% constant prepayment rate.

LOAN PORTFOLIO

During 1998, 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 \$895 million. The Company also sold \$1,238 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, 1998 totaled \$10,682 million, an increase of 87.0% compared to \$5,713 million on December 31, 1997. Included in this increase are loans from acquisitions totaling \$3,917 million. Excluding the acquired loans, the increase for 1998 compared to 1997 was 18.4%.

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, 1998.

SCHEDULE 8

Loan Portfolio by Type

(Amounts in millions)	December 31, 1998				December 31,			
	One year or less	One year through five years	Over five years	Total	1997	1996	1995	1994
Loans held for sale	\$ 232	\$ -	\$ -	\$ 232	\$ 179	\$ 151	\$ 126	\$ 109
Commercial, financial and agricultural	1,609	756	327	2,692	1,445	1,087	923	614
Real estate:								
Construction	667	191	9	867	567	385	315	247
Other:								
Home equity credit line	78	42	102	222	179	231	152	56
1-4 family residential	233	306	1,648	2,187	818	689	520	573
Other real estate-secured	550	1,061	2,013	3,624	1,726	1,410	973	631
	1,528	1,600	3,772	6,900	3,290	2,715	1,960	1,507
Consumer:								
Bankcard	34	52	1	87	67	48	65	44
Other	144	252	56	452	458	341	326	381
	178	304	57	539	525	389	391	425
Lease financing	9	153	51	213	176	160	133	129
Foreign loans	21	7	16	44	-	-	-	-
Other receivables	36	21	5	62	98	45	35	33
Total loans	\$3,613	\$2,841	\$4,228	\$10,682	\$5,713	\$4,547	\$3,568	\$2,817
Loans maturing in more than one year:								
With fixed interest rates		\$1,490	\$2,467	\$ 3,957				
With variable interest rates		1,351	1,761	3,112				
Total		\$2,841	\$4,228	\$ 7,069				

SOLD LOANS BEING SERVICED

On December 31, 1998, long-term first mortgage real estate loans serviced for others amounted to \$1,995 million compared to \$1,897 million on December 31, 1997, and \$1,542 million on December 31, 1996.

Consumer and other loan securitizations serviced, which relate primarily to loans sold under revolving securitization structures, totaled \$1,057 million on December 31, 1998, \$1,050 million on December 31, 1997, and \$868 million on December 31, 1996.

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

SCHEDULE 9
Sold Loans Being Serviced

(Amounts in millions)	1998		1997		1996	
	Sales	Outstanding at year end	Sales	Outstanding at year end	Sales	Outstanding at year end
Auto loans	\$ 198	\$ 345	\$ 201	\$ 389	\$ 284	\$ 434
Home equity credit lines	261	261	342	327	180	220
Bankcard receivables	283	134	232	79	238	85
Home refinance loans	-	23	-	45	-	68
SBA 504 loans	4	100	115	131	-	31
SBA 7(a) loans	39	90	38	56	41	30
Farmer Mac	110	104	23	23	-	-
Total	\$ 895	\$ 1,057	\$ 951	\$ 1,050	\$ 743	\$ 868

DEPOSITS AND BORROWED FUNDS

As derived from Schedule 2, total average deposits increased 41.0% to \$9,506 million in 1998 from \$6,742 million in 1997. Average noninterest-bearing deposits increased 40.5%, average savings and NOW deposits increased 23.5%, average money market and super NOW deposits increased 33.2%, and average time deposits under \$100,000 increased 56.1%. Average time deposits over \$100,000 increased 99.3% over 1997 average balances and average foreign deposits increased 28.5% for 1998, as compared with 1997.

Total deposits increased 67.4% to \$13,321 million on December 31, 1998, as compared to \$7,956 million on December 31, 1997. Included in this increase are deposits from acquisitions totaling \$4,666 million. Without the acquired deposits, the increase was 8.8%. Comparing December 31, 1998 to December 31, 1997, demand deposits increased 52.1%, savings and money market deposits increased 52.8%, time deposits under \$100,000 increased 101.0%, while time deposits over \$100,000 increased 179.6% and foreign deposits increased 11.6%.

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

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 maintaining “risk-based capital” of not less than the “well-capitalized” threshold, as defined by federal banking regulators.

Total shareholders’ equity on December 31, 1998 was \$1,014 million, an increase of 36.6% over the \$742 million on December 31, 1997. The ratio of average equity to average assets for the year 1998 was 6.79%, compared to 6.76% for 1997.

During 1998, 1997 and 1996, the Company repurchased and retired 625,288, 3,809,724 and 1,306,042 shares of its common stock at a cost of \$26.7 million, \$134.6 million and \$25.1 million, respectively.

On December 31, 1998, the Company's Tier 1 leverage ratio was 5.98%, as compared to 6.83% on December 31, 1997. On December 31, 1998, the Company's Tier 1 risk-based capital ratio was 8.46%, as compared to 11.55% on December 31, 1997. On December 31, 1998, the Company's total risk-based capital ratio was 11.48%, as compared to 13.42% on December 31, 1997. 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. The decreases in regulatory capital ratios from 1997 are primarily related to the acquisition of The Sumitomo Bank of California. See Note 17 of Notes to Consolidated Financial Statements for additional information on risk-based capital.

DIVIDENDS

Dividends per share were \$.54 in 1998, an increase of 14.9% over \$.47 in 1997, which were up 10.6% over \$.425 in 1996. The Company's quarterly dividend rate was \$.1025 for the first and second quarters of 1996, increasing to \$.11 per share for the third and fourth quarters of 1996 and 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.

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, 25% in commercial loans, 65% in real estate loans, 5% in consumer loans, 2% in lease financing and 1% in other loans. The Company's real estate portfolio is also diversified. Of the total portfolio, 12% is in real estate construction loans, 3% is in home equity credit lines, 32% is in 1-4 family residential loans and 53% 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 \$64 million on December 31, 1998, up from \$24 million on December 31, 1997. Such nonperforming assets as a percentage of net loans and leases, other real estate owned and other nonperforming assets were .60% on December 31, 1998, as compared to .41% on December 31, 1997. Included in nonperforming assets on December 31, 1998 are \$23 million in nonaccrual loans and \$4 million in restructured loans acquired in The Sumitomo Bank of California acquisition.

Accruing loans past due 90 days or more totaled \$26 million on December 31, 1998, up from \$11 million on December 31, 1997. These loans equaled .24% of net loans and leases on December 31, 1998, as compared to .19% on December 31, 1997.

No loans were considered potential problem loans on December 31, 1998 or 1997. 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 \$41 million and \$10 million on December 31, 1998 and 1997, 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, 1998 and 1997, is an allowance of \$5 million and \$0.3 million, respectively, on \$11.6 million and \$1.9 million, respectively, of the recorded investment in impaired loans. Included in the 1998 totals are \$23 million investment in impaired loans and a reserve of \$4 million for these loans acquired in the Sumitomo acquisition.

SCHEDULE 10

Nonperforming Assets

(Amounts in millions)	December 31,				
	1998	1997	1996	1995	1994
Nonaccrual loans:					
Commercial, financial and agricultural	\$ 11	\$ 5	\$ 7	\$ 4	\$ 3
Real estate	39	10	7	7	8
Consumer	1	-	1	1	1
Lease financing	3	1	1	2	2
Other	-	-	-	-	4
Total	54	16	16	14	18
Restructured loans:					
Real estate	5	2	2	1	1
Other real estate owned:					
Commercial, financial and agricultural:					
Improved	-	2	-	-	4
Unimproved	-	1	-	-	1
Residential:					
1-4 Family	2	1	1	2	-
Multi-family	-	-	-	1	-
Other	3	2	2	2	3
Total	5	6	3	5	8
Other nonperforming assets	-	-	-	-	3
Total	5	6	3	5	11
Total	\$ 64	\$ 24	\$ 21	\$ 20	\$ 30
% of Net loans* and leases, other real estate owned and other nonperforming assets	.60%	.41%	.45%	.56%	1.08%
Accruing loans past due 90 days or more:					
Commercial, financial and agricultural	\$ 5	\$ 2	\$ 2	\$ 1	\$ 1
Real estate	20	7	3	4	2
Consumer	1	2	1	1	1
Total	\$ 26	\$ 11	\$ 6	\$ 6	\$ 4
% of Net loans* and leases	.24%	.19%	.13%	.16%	.12%

*Includes loans held for sale.

ALLOWANCE FOR LOAN LOSSES

The Company's allowance for loan losses was 1.93% of net loans and leases on December 31, 1998, compared to 1.62% on December 31, 1997. Net charge-offs in 1998 were \$15 million, or .21% of average loans and leases, compared to net charge-offs of \$9 million, or .19% of average net loans and leases in 1997 and net charge-offs of \$5 million, or .13% of average net loans and leases in 1996.

The allowance, as a percentage of nonaccrual loans and restructured loans, was 347.86% on December 31, 1998, compared to 514.18% on December 31, 1997 and 490.77% on December 31, 1996. The allowance, as a percentage of nonaccrual loans and accruing loans past due 90 days or more was 258.04% on December 31, 1998, compared to 340.22% on December 31, 1997, and 393.92% on December 31, 1996.

On December 31, 1998, 1997 and 1996, the allowance for loan losses includes an allocation of \$20 million, \$9 million and \$6 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, 1998, 1997 and 1996, totaled \$4,758 million, \$2,787 million, and \$2,301 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 11 provides a breakdown of the allowance for loan losses by loan category and Schedule 12 summarizes loan loss experience. The increases in the allocated allowance at year-end 1998 compared to year-end 1997 for commercial, financial and agricultural loans are a result of the acquisition of The Sumitomo Bank of California.

SCHEDULE 11

Allocation of the Allowance for Loan Losses

	1998		1997		1996		1995		1994	
	% 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	2.2%	\$ -	3.1%	\$ -	3.3%	\$ -	3.5%	\$ -	3.8%	\$ -
Commercial, financial and agricultural	25.3%	81	25.3%	20	23.9%	18	25.9%	13	21.8%	11
Real estate	64.8%	47	57.6%	27	59.7%	28	54.9%	17	53.5%	14
Consumer	5.1%	12	9.2%	11	8.6%	9	11.0%	12	15.1%	11
Lease financing	2.0%	6	3.1%	2	3.5%	2	3.7%	2	4.6%	2
Other receivables	0.6%	-	1.7%	-	1.0%	-	1.0%	-	1.2%	-
Total loans	100.0%		100.0%		100.0%		100.0%		100.0%	
Off-balance sheet										
unused commitments and										
standby letters of credit		20		9		6		8		5
Total allocated		166		69		63		52		43
Unallocated		40		23		23		28		30
Total allowance for loan losses		\$ 206		\$ 92		\$ 86		\$ 80		\$ 73

SCHEDULE 12
Summary of Loan Loss Experience

(Amounts in millions)	1998	1997	1996	1995	1994
Loans* and leases outstanding on December 31, (net of unearned income)	\$10,633	\$ 5,669	\$ 4,503	\$ 3,533	\$ 2,791
Average loans* and leases outstanding (net of unearned income)	\$ 7,174	\$ 5,072	\$ 3,993	\$ 3,091	\$ 2,939
Allowance for loan losses: Balance at beginning of year	\$ 92	\$ 86	\$ 80	\$ 73	\$ 76
Allowance of companies acquired	117	7	4	7	1
Provision charged against earnings	12	8	7	5	3
Loans and leases charged off:					
Commercial, financial and agricultural	(8)	(6)	(3)	(2)	(7)
Real estate	(6)	(1)	(1)	(3)	(1)
Consumer	(9)	(9)	(8)	(7)	(5)
Lease financing	(1)	-	-	-	(1)
Total	(24)	(16)	(12)	(12)	(14)
Recoveries:					
Commercial, financial and agricultural	3	3	3	3	2
Real estate	3	2	1	1	1
Consumer	3	2	2	3	4
Lease financing	-	-	1	-	-
Total	9	7	7	7	7
Net loan and lease charge-offs	(15)	(9)	(5)	(5)	(7)
Balance at end of year	\$ 206	\$ 92	\$ 86	\$ 80	\$ 73
Ratio of net charge-offs to average loans and leases	.21%	.19%	.13%	.17%	.25%
Ratio of allowance for loan losses to loans and leases outstanding on December 31,	1.93%	1.62%	1.92%	2.26%	2.62%
Ratio of allowance for loan losses to nonperforming loans on December 31,	347.86%	514.18%	490.77%	562.38%	382.10%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more on December 31,	258.04%	340.22%	393.92%	415.29%	345.45%

*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 result 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 2.1 years. A 200-basis-point immediate increase in rates was estimated to increase the duration of equity to 4.5 years. Conversely, an immediate decrease in rates of similar magnitude was estimated to decrease the duration of equity to 0.5 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 4.3% 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 increase 2.4%. 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 \$337 million: i.e., the \$9,476 million of assets that mature or reprice during 1999 was less than the sum of \$9,019 million of liabilities and the \$794 million net effect of off-balance sheet swaps that mature or reprice during the same period. This gap represented 2.0% 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, 1998

	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
(Amounts in millions)						
USES OF FUNDS						
Earning Assets:						
Interest-bearing deposits	\$ 12	\$ 6	\$ 12			\$ 30
Federal funds sold	199					199
Security resell agreements	382					382
Securities:						
Held to maturity	960	906	433	\$ 505		2,804
Available for sale	307	49	237	92		685
Trading account	192					192
Loans and leases	5,316	1,147	2,341	1,830		10,634
Nonearning assets					\$ 1,723	1,723
Total uses of funds	\$ 7,368	\$ 2,108	\$ 3,023	\$ 2,427	\$ 1,723	\$ 16,649
SOURCES OF FUNDS						
Interest-bearing deposits and liabilities:						
Savings and money market deposits	\$ 2,028	\$ 1,215	\$ 2,025	\$ 810		\$ 6,078
Time deposits under \$100,000	1,221	741	378	1		2,341
Time deposits \$100,000 or more	802	599	127			1,528
Foreign	204					204
Securities sold, not yet purchased	30					30
Federal funds purchased	337					337
Security repurchase agreements	933					933
Commercial paper	43	6				49
FHLB advances and other borrowings:						
Less than one year	75	26				101
Over one year		2	29	26		57
Long-term debt	142	2	71	239		454
Noninterest-bearing deposits	613				\$ 2,557	3,170
Other liabilities					318	318
Minority interest					35	35
Shareholders' equity					1,014	1,014
Total sources of funds	\$ 6,428	\$ 2,591	\$ 2,630	\$ 1,076	\$ 3,924	\$ 16,649
Off-balance sheet items affecting interest rate sensitivity	\$(1,029)	\$ 235	\$ 751	\$ 43		
Interest rate sensitivity gap	\$ (89)	\$ (248)	\$ 1,144	\$ 1,394	\$(2,201)	
Percent of total assets	(.5)%	(1.5)%	6.9%	8.4%	(13.3)%	
Cumulative interest rate sensitivity gap	\$ (89)	\$ (337)	\$ 807	\$ 2,201		
Cumulative as a % of total assets	(.5)%	(2.0)%	4.9%	13.3%		

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 14. For additional information regarding off-balance sheet financial contracts, refer to Notes 1, 12 and 19 of Notes to Consolidated Financial Statements.

SCHEDULE 14

Interest Rate Swap Maturities and Average Rates

<i>(Amounts in millions)</i>	1999	2000	2001	2002	Thereafter	Total
Receive fixed rate:						
Notional amount	\$ 300	\$ 221	\$ 206	\$ 236	\$ 244	\$1,207
Weighted average rate received	6.19%	6.28%	6.23%	6.39%	6.20%	6.25%
Weighted average rate paid	5.48%	5.50%	5.28%	5.34%	5.45%	5.42%
Receive floating rate:						
Notional amount	\$ 45	\$ 67	\$ -	\$ 40	\$ 6	\$ 158
Weighted average rate received	5.64%	5.25%	-	5.24%	5.25%	5.36%
Weighted average rate paid	5.90%	4.75%	-	7.00%	7.98%	5.77%

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, 1998, the Company had cash, money market investments, and liquid securities net of short-term or "purchased" liabilities and foreign deposits, of \$1.7 billion or 14.5% of core deposits. The Company's core deposits, consisting of demand, savings, money market, and time deposits under \$100,000, constituted 87.0% 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, 1998, \$53.5 million of dividend capacity was available from subsidiaries to pay to the Parent without having to obtain regulatory approval. During 1998, dividends from subsidiaries were \$212.3 million. During 1998 the Company started a program to issue short-term commercial paper. At December 31, 1998, outstanding commercial paper was \$49 million. At December 31, 1998, the Parent had revolving credit facilities with two banks totaling \$65 million. On that date, the balance outstanding on these bank lines was \$37 million.

Year 2000

A number of electronic systems utilize a two-digit field for year references, e.g., 98 for 1998. Such systems may compute the year 2000, if represented as 00, to be 99 years ago rather than one year hence. If these systems are not corrected prior to December 31, 1999, many processing failures could result. This section describes the status of the Company's efforts to correct these system deficiencies.

STATE OF READINESS

The Company is well underway with its Year 2000 Program efforts and has segmented the remediation process into phases. The organizational awareness phase was substantially completed in the second quarter of 1998, but is considered ongoing throughout 1999. The assessment and detailed planning phase was completed by the end of third quarter 1998. The renovation phase for mission critical components was substantially completed by December 31, 1998, except for the conversion of recently acquired small Colorado banks, the last of which is scheduled to be converted to Zions' systems by June 30, 1999. Renovation of non-mission critical components is expected to be complete during the second quarter of 1999. The validation phase for mission critical components will be completed in the first quarter 1999 and for non-critical

components by the end of second quarter 1999. The Company uses third party servicers for some of its information and data processing needs and is monitoring the progress of these entities in addressing the Year 2000 issue. It expects that all of these companies will be compliant by March 31, 1999. Validation of these third-party provided systems is expected to be completed during the second quarter of 1999. The Company is also assessing the operability of other devices after 1999, including vaults, fax machines, stand-alone personal computers, security systems and elevators. Although the Company does not believe that the failure of these systems would have a material adverse effect on the financial condition of the enterprise, it is addressing deficiencies in these systems and expects compliance to be achieved by September 30, 1999.

COSTS

In order to achieve and confirm Year 2000 readiness, significant costs are being incurred to test and modify or replace computer software and hardware, as well as a variety of other items, e.g., ATMs. The Company believes that its remediation costs have been mitigated since it replaced the large majority of its core banking systems during the past five years with Year 2000 compliant software in the ordinary course of business. However, the considerable effort required to implement new software and sufficiently test its compliance is consuming a substantial portion of the Company's internal information technology resources. This diversion of resources to the Year 2000 project has resulted in delays in implementing enhancements to a number of the Company's systems and products. The Company does not believe, however, that these delays have had or will have a significant effect on its revenue or expense growth. The aggregate increase in operating expense to achieve Year 2000 readiness is estimated to be \$3 million of which \$2.1 million has been incurred through December 31, 1998. In addition, a significant portion of the Company's ATMs and personal computers are expected to be replaced to achieve Year 2000 compliance. The capital outlay to replace these assets is estimated to be between \$2 to \$4 million, a portion of which would have been incurred in the ordinary course of business without regard to Year 2000 issues.

RISKS

If the Company's mission critical applications are not compliant by 2000, it may not be able to correctly process transactions in a reasonable period of time. This scenario could result in a wide variety of claims against the Company for improper handling of its assets and deposits and other borrowings from its customers. The Company is also at risk if the credit worthiness of a few of its large borrowers, or a significant number of its small borrowers, were to deteriorate quickly and severely as a result of their inability to conduct business operations after December 31, 1999, for whatever reason. The Company has surveyed and reviewed the Year 2000 plans of a number of its credit customers to ascertain the sufficiency of their remediation efforts and the implications of their actions on their credit worthiness. From this review, the Company believes that the increased credit risk that the Company may experience as a result of the Year 2000 issue will not materially adversely effect its financial condition. The Company explicitly disclaims, however, any obligation or liability for the completeness, or lack thereof, of its customers' Year 2000 remediation plans or actions.

CONTINGENCY PLANS

The Company has developed business resumption plans for each significant business unit in the event that unforeseen events beyond the bank's control adversely impact our ability to provide financial services to our customers. In the event of such a failure, these plans outline the steps that will be taken to minimize the effect on customers and losses to the Company. Although the Company believes that its Year 2000 remediation plan sufficiently addresses this issue, there can be no assurance that Year 2000 events will not materially adversely effect the Company's financial condition. Failure of other companies and vendors to be compliant could result in disruption of important services by the Company to its customers. Such failures could include, but are not limited to, telecommunication services, electrical power, and information processing.

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: 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; legislation or regulatory changes which adversely affect the Company's operations or business; the cost and effort required to correct Year 2000 processing deficiencies being more difficult than expected due to the difficulty of attracting and retaining qualified systems personnel or vendor-supplied software releases being delayed or not functioning properly. 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.

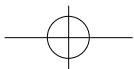
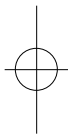
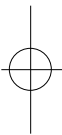
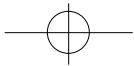
Consolidated Condensed Statements of Income

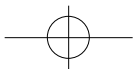
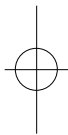
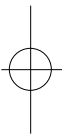
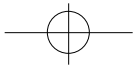
The following consolidated condensed statements of income present earnings and operating cash earnings information as originally reported and restated. The Company has restated prior year financial information for significant acquisitions accounted for as poolings of interests. See Note 2 of Notes to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

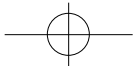
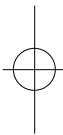
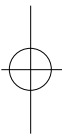
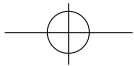
<i>(Amounts in millions)</i>	Originally reported earnings ¹				
	1998	1997	1996	1995	1994
Net interest income	\$543.8	\$ 351.8	\$ 260.4	\$ 227.1	\$ 198.6
Noninterest income	200.7	143.2	110.9	86.7	73.2
Total revenue	744.5	495.0	371.3	313.8	271.8
Provision for loan losses	12.2	6.2	3.5	2.8	2.2
Noninterest expense ²	460.4	292.7	212.0	186.2	172.9
Pretax cash earnings	271.9	196.1	155.8	124.8	96.7
Income tax expense	86.9	66.1	52.2	41.3	31.2
Minority interest	0.5	-	-	-	-
Cash earnings ²	184.5	130.0	103.6	83.5	65.5
Amortization of goodwill and core deposit intangibles	10.7	5.9	2.3	2.5	2.0
Merger expense	43.0	2.7	-	-	-
Income tax benefit	(16.0)	(1.0)	(0.1)	(0.3)	(0.3)
Net income	\$146.8	\$ 122.4	\$ 101.4	\$ 81.3	\$ 63.8
Operating cash earnings per share (diluted) ²	\$ 2.40	\$ 2.01	\$ 1.75	\$ 1.42	\$ 1.12
Net income per share (diluted)	\$ 1.91	\$ 1.89	\$ 1.71	\$ 1.38	\$ 1.09

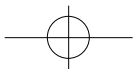
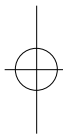
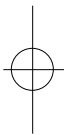
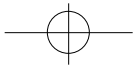
	Restated earnings			
	1997	1996	1995	1994
Net interest income	\$ 412.5	\$ 337.7	\$ 272.5	\$ 232.7
Noninterest income	146.4	122.0	95.7	79.0
Total revenue	558.9	459.7	368.2	311.7
Provision for loan losses	7.8	6.5	4.7	3.1
Noninterest expense ²	335.2	269.8	226.9	203.1
Pretax cash earnings	215.9	183.4	136.6	105.5
Income tax expense	73.4	59.8	44.1	32.9
Minority interest	-	-	-	-
Cash earnings ²	142.5	123.6	92.5	72.6
Amortization of goodwill and core deposit intangibles	6.7	3.3	2.7	2.6
Merger expense	2.7	-	-	-
Income tax benefit	(1.2)	(0.1)	(0.3)	(0.3)
Cumulative effect of changes in accounting principles	-	-	-	1.5
Net income	\$ 134.3	\$ 120.4	\$ 90.1	\$ 68.8
Operating cash earnings per share (diluted) ²	\$ 1.95	\$ 1.71	\$ 1.40	\$ 1.13
Net income per share (diluted)	\$ 1.84	\$ 1.66	\$ 1.36	\$ 1.08

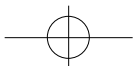
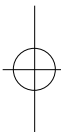
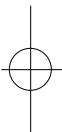
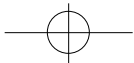
¹Before restatements for acquisitions accounted for as poolings of interests.
²Before amortization of goodwill and core deposit intangible assets and merger expense.











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, 1998 and 1997, 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, 1998. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

Salt Lake City, Utah
January 26, 1999

Zions Bancorporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

(In thousands, except share amounts)

	1998	1997
ASSETS		
Cash and due from banks	\$ 864,446	710,171
Money market investments:		
Interest-bearing deposits	30,484	62,001
Federal funds sold	199,446	442,179
Security resell agreements	382,275	349,338
Investment securities:		
Held to maturity, at cost (approximate market value \$2,821,535 and \$2,220,179)	2,803,903	2,199,555
Available for sale, at market	684,581	807,273
Trading account, at market	191,855	83,681
Loans:		
Loans held for sale	232,253	178,642
Loans, leases, and other receivables	10,449,362	5,534,324
	10,681,615	5,712,966
Less:		
Unearned income and fees, net of related costs	48,123	44,064
Allowance for loan losses	205,553	91,571
Net loans	10,427,939	5,577,331
Premises and equipment, net	231,066	155,648
Goodwill and core deposit intangibles	271,578	174,433
Other real estate owned	5,270	5,738
Other assets	556,078	301,856
	\$ 16,648,921	10,869,204
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$ 3,170,436	2,084,153
Interest-bearing:		
Savings and money market	6,077,556	3,978,009
Time:		
Under \$100,000	2,340,598	1,164,342
Over \$100,000	1,528,329	546,686
Foreign	204,244	183,044
	13,321,163	7,956,234
Securities sold, not yet purchased	29,702	45,067
Federal funds purchased	337,283	350,109
Security repurchase agreements	932,560	1,042,156
Accrued liabilities	319,278	173,331
Commercial paper	49,217	-
Federal Home Loan Bank advances and other borrowings:		
Less than one year	100,750	68,933
Over one year	56,796	210,681
Long-term debt	453,735	280,641
Total liabilities	15,600,484	10,127,152
Minority interest	34,781	-
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, 78,636,083 shares and 71,366,159 shares	324,099	190,039
Accumulated other comprehensive income (loss)	(4,280)	1,902
Retained earnings	693,837	550,111
Total shareholders' equity	1,013,656	742,052
	\$ 16,648,921	10,869,204

See accompanying notes to consolidated financial statements.

Zions Bancorporation and Subsidiaries

CONSOLIDATED INCOME STATEMENTS
YEARS ENDED

(In thousands, except per share amounts)

INTEREST INCOME:
Interest and fee income
Interest on loans
Interest on mortgages
Interest on securities
Held to maturity
Taxable
Nontaxable
Available for sale
Taxable
Nontaxable
Trading account
Lease financing
Total interest income
INTEREST EXPENSE:
Interest on savings
Interest on time deposits
Interest on borrowings
Total interest expense
Net interest income
Provision for loan losses
Net interest income
NONINTEREST INCOME:
Service charges
Other service charges
Trust income
Investment securities
Underwriting and commissions
Loan sales and discounts
Other
Total noninterest income
NONINTEREST EXPENSE:
Salaries and employee benefits
Occupancy, net
Furniture and equipment
Other real estate
Legal and professional fees
Supplies
Postage
Advertising
FDIC premium
Merger expenses
Amortization of intangibles
Amortization of other assets
Other
Total noninterest expense
Income before income taxes
Income taxes
Net income
Minority interest
Net income available to common shareholders
Weighted-average shares outstanding
Net income per common share:
Basic
Diluted

See accompanying notes to consolidated financial statements.

Zions Bancorporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(In thousands)

	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 146,847	134,300	120,418
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for loan losses	12,179	7,758	6,526
Depreciation of premises and equipment	27,747	20,539	16,577
Amortization	24,393	14,512	10,317
Accretion of unearned income and fees, net of related costs	(5,826)	1,444	(34,387)
Proceeds from sales of trading account securities	175,432,243	119,209,754	80,374,843
Increase in trading account securities	(175,540,070)	(119,259,359)	(80,345,212)
Investment securities (gain) loss, net	(2,142)	5,071	385
Proceeds from loans held-for-sale	1,237,514	742,244	664,327
Increase in loans held-for-sale	(1,296,803)	(766,739)	(670,299)
Net gain on sales of loans, leases and other assets	(43,264)	(28,142)	(26,739)
Change in accrued income taxes	23,228	(794)	4,677
Change in accrued interest receivable	2,293	(20,603)	(8,186)
Change in accrued interest payable	(1,196)	5,383	(1,736)
Other, net	(80,004)	(25,879)	23,285
Net cash provided by (used in) operating activities	(62,861)	39,489	134,796
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in money market investments	835,930	(208,096)	115,971
Proceeds from maturities of investment securities held to maturity	3,463,175	984,705	378,745
Purchases of investment securities held to maturity	(3,511,333)	(1,652,068)	(680,836)
Proceeds from sales of investment securities available for sale	521,415	494,481	190,975
Proceeds from maturities of investment securities available for sale	252,429	145,922	167,029
Purchases of investment securities available for sale	(660,939)	(608,274)	(423,740)
Proceeds from sales of loans and leases	918,948	968,717	765,341
Net increase in loans and leases	(1,893,593)	(1,587,939)	(1,466,957)
Principal collections on leveraged leases	3,840	5,748	-
Payments on leveraged leases	(3,840)	(5,748)	-
Proceeds from sales of premises and equipment	5,370	3,290	806
Purchases of premises and equipment	(63,728)	(39,691)	(32,836)
Proceeds from sales of mortgage-servicing rights	6,654	1,771	1,339
Purchases of mortgage-servicing rights	(5,149)	(3,123)	(1,625)
Proceeds from sales of other assets	7,956	6,075	5,335
Purchases of other assets	-	-	(18,887)
Cash paid for acquisitions, net of cash received	(308,539)	(25,756)	3,682
Net cash used in investing activities	\$ (431,404)	(1,519,986)	(995,658)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	\$ 642,840	1,311,562	595,207
Net change in short-term funds borrowed	(108,755)	377,750	160,194
Proceeds from FHLB advances over one year	4,665	180,000	4,201
Payments on FHLB advances over one year	(167,886)	(74,894)	(18,143)
Proceeds from issuance of long-term debt	195,041	24,001	204,050
Payments on long-term debt	(20,556)	(554)	(6,020)
Net change in minority interest	34,781	-	-
Proceeds from issuance of common stock	136,751	4,643	3,015
Payments to redeem common stock	(26,741)	(121,389)	(25,148)
Payments to redeem preferred stock	-	(8,050)	-
Dividends paid	(41,600)	(30,352)	(26,207)
Net cash provided by financing activities	648,540	1,662,717	891,149
Net increase in cash and due from banks	154,275	182,220	30,287
Cash and due from banks at beginning of year	710,171	527,951	497,664
Cash and due from banks at end of year	\$ 864,446	710,171	527,951

See accompanying notes to consolidated financial statements.

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Zions Bancorporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (CONTINUED)
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(In thousands, except share amounts)	Common stock		Comprehensive income	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
	Shares	Amount				
Net income	-	\$ -	146,847	-	146,847	146,847
Other comprehensive loss, net of tax:						
Realized and unrealized holding loss arising during the year, net of tax benefit of \$3,973	-	-	(5,243)	-	-	-
Reclassification for realized gain recorded in the income statement, net of tax expense of \$819	-	-	(1,323)	-	-	-
Other comprehensive loss	-	-	(6,566)	(6,566)	-	(6,566)
Total comprehensive income	-	-	\$140,281	-	-	-
Cash dividends:						
Preferred, paid by subsidiaries to minority shareholders	-	-		-	(46)	(46)
Common, \$.54 per share	-	-		-	(40,669)	(40,669)
Dividends of acquired companies prior to merger	-	-		-	(885)	(885)
Net proceeds from stock offering	2,760,000	129,832		-	-	129,832
Issuance of common shares for acquisitions	4,108,353	16,204		384	38,479	55,067
Conversion of acquired company convertible debt prior to acquisition	213,741	4,546		-	-	4,546
Exercise of acquired company warrants prior to acquisition	257,056	1,852		-	-	1,852
Stock redeemed and retired	(625,288)	(26,741)		-	-	(26,741)
Stock options exercised, net of shares tendered and retired	556,062	8,367		-	-	8,367
BALANCE, DECEMBER 31, 1998	78,636,083	\$324,099		(4,280)	693,837	1,013,656

See accompanying notes to consolidated financial statements.

Zions Bancorporation and Subsidiaries

Notes to Consolidated Financial Statements

I. SUMMARY OF BUSINESS

Zions Bancorporation and Subsidiaries (the "Company") is a financial services company organized under the laws of the State of California. The Company provides a full range of financial services through its subsidiaries, including Zions Bank, National Association, a member bank of the Federal Reserve System, and Zions Securities, Inc., a securities broker-dealer.

BASIS OF FINANCIAL STATEMENTS

The consolidated financial statements of Zions Bancorporation and Subsidiaries are prepared on an accrual basis of accounting and conform with generally accepted accounting principles ("GAAP") for companies in the financial services industry. All transactions have been recorded on the basis of the best information available to the Company at the time the statements were prepared. The consolidated financial statements for the year ended December 31, 1998, have been restated for the effect of the adoption of the new accounting principles under the pool of authority.

The consolidated financial statements of Zions Bancorporation and Subsidiaries are prepared on an accrual basis of accounting and conform with generally accepted accounting principles ("GAAP") for companies in the financial services industry. In preparing the consolidated financial statements, management has made certain estimates and assumptions that affect the amounts reported in the statements. Actual results may differ from these estimates and assumptions.

SECURITY RESERVES

Security reserves are established for the purpose of providing for the payment of claims on policies issued by the Company. The Company's security reserves are based on the Company's estimate of the ultimate net cost of claims on policies issued by the Company. The Company's security reserves are based on the Company's estimate of the ultimate net cost of claims on policies issued by the Company. The Company's security reserves are based on the Company's estimate of the ultimate net cost of claims on policies issued by the Company. The Company's security reserves are based on the Company's estimate of the ultimate net cost of claims on policies issued by the Company.

LOAN FEES

Nonrefundable fees and related direct costs associated with the origination of loans are deferred. The net deferred fees and costs are recognized in interest income over the loan term using methods that generally produce a level yield on the unpaid loan balance. Other non-refundable fees related to lending activities other than direct loan origination are recognized as other operating income over the period the related service is provided. Bankcard discounts and fees charged to merchants for processing transactions through the Company are shown net of interchange discounts and fees expense and are included in other service charges, commissions, and fees.

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.

IMPAIRED LOANS

The Company considers a loan to be impaired when the accrual of interest has been discontinued and the loan meets other criteria established by the Company. 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. An allowance for impairment losses is included in the allowance for loan losses through a provision for loan losses. The Company primarily uses a cost recovery accounting method to recognize interest income on impaired loans.

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.

NONPERFORMING ASSETS

Nonperforming assets are comprised of loans for which the accrual of interest has been discontinued, loans for which the terms have been renegotiated to less than market rates due to a weakening of the borrower’s financial condition (restructured loans), and other real estate acquired primarily through foreclosure that is awaiting disposition.

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

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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.

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 \$3.4 million, \$1.2 million and \$0.6 million in 1998, 1997 and 1996, 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.

STOCK SPLIT

On April 25, 1997, the Company's Board of Directors approved a four-for-one split of the common stock. This action was effective on May 14, 1997, for shareholders of record as of May 9, 1997. A total of 43,347,903 shares of common stock were issued. All references to the number of common shares and per common share amounts have been restated to reflect the split.

COMPREHENSIVE INCOME

On January 1, 1998, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 130, *Reporting Comprehensive Income*. Statement No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and net unrealized gains (losses) on securities and is presented in the consolidated statement of changes in shareholders' equity and comprehensive income. The statement requires only additional disclosures in the consolidated financial statements; it does not affect the Company's financial position or results of operations. Prior year financial statements have been reclassified to conform to the requirements of Statement No. 130.

ACCOUNTING STANDARDS NOT ADOPTED

In June 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. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999, and should not be applied retroactively to financial statements of prior periods. The Company is currently studying the statement to determine its future effects.

In October 1998, the FASB issued Statement No. 134, *Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise*. This statement amends FASB Statement No. 65, *Accounting for Certain Mortgage Banking Activities*, to require that after the securitization of mortgage loans held for sale, an entity engaged in mortgage banking activities classify the resulting mortgage-backed securities or other retained interests based on its ability and intent to sell or hold those investments. This statement conforms the subsequent accounting for securities retained after the securitization of mortgage loans by a mortgage banking enterprise with the subsequent accounting for securities retained after the securitization of other types of assets by a non-mortgage banking enterprise. This statement shall be effective for the first fiscal quarter beginning after December 15, 1998. It is anticipated that the adoption of Statement No. 134 will not have a significant impact on the Company's financial position or results of operations.

2. MERGERS

On January 6, 1998, the Company acquired Zions Bancorporation National Association, a national banking corporation, located in Utah. The acquisition was accounted for as a purchase of approximately 6.5 million shares of common stock.

On May 22, 1998, the Company acquired First Pacific National Bank, a national banking corporation, located in California. The acquisition was accounted for as a purchase of approximately 1.5 million shares of common stock. The net income for the year ended December 31, 1998, were \$11.5 million.

On September 1, 1998, the Company acquired Commerce Bancorp., Inc., a national banking corporation, located in California. The acquisition was accounted for as a purchase of approximately 1,938,590 shares of common stock. The net income for the year ended December 31, 1998, were \$11.5 million.

The acquisition of Zions Bancorporation National Association, a national banking corporation, located in Utah, was accounted for as a purchase of approximately 6.5 million shares of common stock. The net income for the year ended December 31, 1998, were \$11.5 million.

A reconciling item of approximately \$11.5 million was previously reported in the accompanying consolidated statement of changes in shareholders' equity and comprehensive income for the year ended December 31, 1998.

	Compared to previous reporting period
Total revenue	\$825,400
Net income	122,300

The major components of management's plan for the combined company include the restructuring of operational functions and the consolidation of administrative facilities. Total goodwill arising from the transaction was \$106,684,000, which will be amortized over a period of 25 years using the straight-line method. The Company recorded an \$18 million liability in the purchase business combination and included such costs in the allocation of the purchase price. This liability included \$5,962,000 of salaries and benefits for Sumitomo executives and staff who were terminated in relation to the acquisition. All of these individuals were identified prior to the consummation of the merger, and the majority were notified of the termination in early October 1998. In addition, a liability for \$1,385,000 was recorded in the combination for data service employees terminated in relation to a system conversion. These employees were identified and notified that the termination is anticipated as of February 1999.

Merger expenses in the accompanying consolidated statements of income are summarized as follows (in thousands):

	1998	1997
Sumitomo acquisition:		
Severance and related employee benefits	\$ 5,290	-
Real property lease terminations	7,773	-
Integration of business operations	5,834	-
Integration of information systems	1,668	-
Other acquisitions:		
Incremental personnel-related costs	11,314	-
Professional fees	5,957	940
Conversion and other miscellaneous charges	5,154	1,767
	\$42,990	2,707

The amounts set forth above for severance and related employee benefits and real property lease terminations are included in accrued liabilities in the accompanying consolidated balance sheets as of December 31, 1998. The severance and related employee benefits costs of \$5,290,000 are associated with the termination of 250 branch employees of the acquired operation. In December 1998, the decision to terminate these employees was made by management, and a formal severance plan was adopted which outlined the amount of severance and type of benefits to be received upon termination. This plan was communicated to all Sumitomo employees at that time. Additionally, the real property lease terminations costs of \$7,773,000 represent the remaining noncancellable obligation with respect to operating leases for several former Sumitomo branches and production facilities. It is anticipated that the remaining liability balance will be paid by the end of 1999, except for amounts related to long-term real property leases.

The \$7,502,000 costs for integration of business operations and information systems primarily represent charges associated with the conversion of Sumitomo's computer and networking systems, bonus payments, and relocation and recruiting fees paid to hire new management.

3. INVESTMENT SECURITIES

Investment securities are summarized as follows:

U.S. Treasury securities
U.S. government agencies and corporations:
 Small Business Administration loan-backed securities
 Other agency securities
States and political subdivisions
Mortgage-backed securities

U.S. Treasury securities
U.S. government agencies and corporations:
 Small Business Administration originator fees certificates
 Other agency securities
States and political subdivisions
Mortgage- and other asset-backed securities

Equity securities:
Mutual funds:
 Accessor Funds, Inc.
Federal Home Loan Bank stock
Other stock

The amortized cost and estimated market value of investment securities as of December 31, 1998, 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	\$ 610,613	613,383	94,351	92,423
Due after one year through five years	1,230,153	1,242,212	232,083	227,727
Due after five years through ten years	811,749	814,078	63,843	60,013
Due after ten years	151,388	151,862	47,272	44,797
	\$2,803,903	2,821,535	437,549	424,960

Gross gains of \$7,510,000, \$9,179,000, and \$490,000 and gross losses of \$5,368,000, \$14,250,000, and \$875,000 were recognized on sales and write downs of investment securities for the years ended December 31, 1998, 1997, and 1996, respectively.

As of December 31, 1998 and 1997, securities with an amortized cost of \$1,107,743,000 and \$1,030,633,000, 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):

	1998	1997
Loans held for sale	\$ 232,253	178,642
Commercial, financial, and agricultural	2,691,915	1,445,417
Real estate:		
Construction	866,548	566,844
Other	6,032,095	2,723,172
Consumer	539,349	524,894
Lease financing	213,410	176,514
Foreign	44,368	-
Other receivables	61,677	97,483
	\$10,681,615	5,712,966

As of December 31, 1998 and 1997, loans with a carrying value of \$63,125,000 and \$188,417,000, respectively, were pledged as security for Federal Home Loan Bank advances.

During 1998, 1997, and 1996, sales of loans held for sale totaled \$1,238 million, \$733 million, and \$654 million, respectively. Consumer and other loan securitizations totaled \$895 million in 1998, \$951 million in 1997, and \$746 million in 1996, 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 \$36.4 million in 1998, \$28.3 million in 1997, and \$25.8 million in 1996.

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

	1998	1997	1996
Balance at beginning of year	\$ 91,571	86,249	79,757
Allowance for loan losses of companies acquired	116,676	7,063	5,203
Additions:			
Provision for loan losses	12,179	7,758	6,526
Recoveries	9,355	7,042	6,763
Deductions:			
Loan charge-offs	(24,228)	(16,541)	(12,000)
Balance at end of year	\$205,553	91,571	86,249

At December 31, 1998, 1997, and 1996, the allowance for loan losses includes an allocation of \$20 million, \$9 million, and \$6 million, respectively, related to commitments to extend credit and standby letters of credit.

The Company's total recorded investment in impaired loans amounted to \$41,000,000 and \$10,000,000 as of December 31, 1998 and 1997, respectively. Included in the allowance for loan losses as of December 31, 1998 and 1997, is a required allowance of \$5,000,000 and \$300,000, respectively, on \$11,600,000 and \$1,900,000, respectively, of the recorded investment in impaired loans. Contractual interest due and interest foregone on impaired loans totaled \$3,797,000 and \$2,051,000, respectively, for 1998, \$1,670,000 and \$751,000, respectively, for 1997, and \$1,626,000 and \$731,000, respectively, for 1996. The average recorded investment in impaired loans amounted to \$17,551,000 in 1998, \$11,005,000 in 1997, and \$9,534,000 in 1996.

5. CONCENTRATIONS

Credit risk represented by loans and investments subsequent to their origination is managed by the Company's credit review department to perform as a counterparty (whether on- or off-balance sheet instruments) and to ensure that the Company's credit review department is satisfied with the creditworthiness of the counterparties when they enter into transactions that would expose the Company to credit risk. The Company's credit review department also monitors obligations to be performed by the Company or other conditions that could expose the Company to any credit risk.

Most of the Company's commercial loans are located within the states of California, Colorado, Arizona, and Nevada. Commercial loan portfolios are diversified by industry and geography. At December 31, 1998, the Company's commercial loan portfolio represented by the following services and products: commercial real estate, commercial mortgage-backed securities, commercial loan participations, and commercial letters of credit. The Company has not experienced any significant losses on its commercial letters of credit.

6. PREMISES AND EQUIPMENT

The following table summarizes the Company's premises and equipment as of December 31, 1998, 1997, and 1996:

Land
Buildings
Furniture and equipment
Leasehold improvements
Total
Less accumulated depreciation and amortization
Net book value

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):

	1998	1997	1996
Federal funds purchased:			
Average amount outstanding	\$ 401,412	329,502	225,964
Weighted average rate	4.61%	5.44%	5.45%
Highest month-end balance	594,503	526,098	483,656
Year-end balance	337,283	350,109	191,909
Weighted average rate on outstandings at year-end	4.58%	5.83%	6.26%
Security repurchase agreements:			
Average amount outstanding	\$1,442,260	1,892,962	1,139,394
Weighted average rate	4.77%	5.17%	4.93%
Highest month-end balance	1,710,676	2,262,818	1,353,298
Year-end balance	932,560	1,042,156	811,833
Weighted average rate on outstandings at year-end	4.40%	5.74%	4.76%

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.

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):

	1998	1997
Medium-term note payable by parent, 6.03%	\$ -	50,000
FHLB advances payable by subsidiaries, 5.46%-7.30%	44,696	153,681
Notes payable, 5.60%-8.32%	12,100	7,000
	\$56,796	210,681

Federal Home Loan Bank advances as of December 31, 1998, are borrowed by Zions First National Bank (ZFNB), a wholly-owned subsidiary, under its line of credit with the Federal Home Loan Bank of Seattle. The line of credit provides for borrowing of amounts up to ten percent of total assets. The line of credit is secured under a blanket pledge whereby ZFNB maintains 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 and Federal Home Loan Bank stock.

Interest expense on FHLB advances and other borrowings over one year was \$6,602,000, \$8,206,000, and \$740,000 for the years ended December 31, 1998, 1997, and 1996, respectively.

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

1999	\$15,393
2000	9,833
2001	3,320
2002	2,515
2003	2,862
Thereafter	22,873
	\$56,796

11. LONG-TERM DEBT

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

	1998	1997
Guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures	\$223,000	225,000
Subordinated notes:		
Floating rate subordinated notes, maturity in 2005-2008	177,000	-
8.625%-9.00% subordinated notes, maturity in 1998-2002	50,150	54,575
Capital leases and other notes payable	3,585	1,066
	\$453,735	280,641

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 \$ issued by VBC

The ZICTA debentures are obligations of Zions Institutional Capital Trust A, an irrevocably and exclusively for the benefit of ZFNB's obligor trust, and VBC debentures are obligations of the GB Bancorporation, and are subordinated to the debentures have been approved by regulators, to each of the respective. Zions Institutional Capital Trust A debentures require semiannual interest payments on April 15, 2026 and July 15, 2026 and Zions Institutional Capital Trust A debentures require semiannual interest payments on April 15, 2026 and July 15, 2026.

Floating-rate subordinated notes callable in 2000 require quarterly interest payments and notes require quarterly interest payments. Notes also include a provision that if interest rates are not redeemable, interest payments will be made on a quarterly basis.

Interest expense on long-term debt was \$24,600,000, \$24,600,000, and \$24,600,000 for the years ended December 31, 1998, 1997, and 1996, respectively.

Maturities and amounts of long-term debt at December 31, 1998, 1997, and 1996 are as follows:

12. COMMITMENTS

The Company has various off-balance sheet arrangements that meet the financial statement definition of commitments.

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):

	1998	1997
Caps and floors - written	\$ 707,137	1,052,000
Swaps	1,364,584	701,331
Forwards	133,204	87,565
Options	-	3,000

The Company enters into interest rate cap, floor, exchange contract (swap), forward, and option 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, 1998, have remaining terms of three to twenty-three 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. Swaps to which the Company is a party at December 31, 1998, 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, 1998, the Company’s forward contracts have remaining terms ranging from one to four months. An option contract is an agreement that conveys to the purchaser the right, but not the obligation, to buy or sell a quantity of a financial instrument or commodity at a predetermined rate or price on a specified future date.

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, 1998 and 1997, the Company had outstanding commitments to purchase securities of \$532,749,000 and \$76,870,000, respectively, and outstanding commitments to sell securities of \$528,711,000 and \$75,717,000, respectively. These agreements at December 31, 1998, 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, 1998 and 1997, the regulatory risk-weighted values assigned to all off-balance sheet financial instruments described herein totaled \$895,337,000 and \$340,611,000, respectively.

The Company has a total of \$65.0 million available in lines of credit from two separate institutions. At December 31, 1998, the Company had drawn \$37.0 million on these lines, with interest rates ranging from 5.52 percent to 5.93 percent. There were no compensating balance arrangements on either of these lines of credit.

At December 31, 1998, the Company was required to maintain a cash balance of \$69.5 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 will have a material effect on the Company’s financial position.

The Company has equipment under leases expiring at various dates. Minimum rental payments for the year ended December 31, 1998, were \$1,000,000.

Future aggregate rental payments are reduced by noncancelable lease agreements. As of December 31, 1998, aggregate rental payments for the year ended December 31, 1998, were \$31,417,000, \$1,000,000, and \$1,000,000 for 1999, 2000, and 2001, respectively.

13. STOCK OPTIONS
The Company has a stock option plan for its employees and directors. The plan was adopted in 1981, under which options may be granted to employees and directors. The plan and nonqualified plan have a maximum aggregate number of 400,000 shares of common stock available for grant.

No compensation is paid for the exercise of nonqualified stock options. The exercise price of nonqualified stock options is equal to the quoted market price of the common stock at the date of grant. Options expire six years after the date of grant. Options may be exercised at any time after the date of grant. As of December 31, 1998, there were 83,962 and 295,000 nonqualified stock options outstanding under the qualified and nonqualified plans, respectively.

During 1998, the Company granted 100,000 employee stock options and 100,000 profit-sharing plan shares. The Company commences the vesting of these shares on January 1, 1999.

The following table is a summary of the Company's stock option activity and related information for the three years ended December 31, 1998:

	Number of shares	Weighted-average exercise price
Balance at December 31, 1995	2,116,325	\$ 8.33
Granted	842,309	13.89
Exercised	(648,332)	6.42
Forfeited	(78,112)	3.92
Expired	(10,000)	6.03
Balance at December 31, 1996	2,222,190	11.16
Acquired	184,991	12.54
Granted	703,258	27.48
Exercised	(835,358)	8.94
Forfeited	(47,767)	13.25
Balance at December 31, 1997	2,227,314	17.21
Acquired	95,174	4.99
Granted	1,005,383	47.21
Exercised	(588,138)	12.31
Forfeited	(25,963)	32.82
Balance at December 31, 1998	2,713,770	28.81
Outstanding options exercisable as of:		
December 31, 1998	1,116,087	14.90
December 31, 1997	717,824	10.54
December 31, 1996	804,092	7.17

Selected information on stock options as of December 31, 1998 follows:

Exercise price range	Outstanding options			Exercisable options	
	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual life	Number of shares	Weighted-average exercise price
\$2.38 to \$18.98	1,122,179	\$12.18	5.9 years	867,619	\$11.29
\$21.89 to \$31.00	593,108	14.46	5.4	237,468	26.50
\$39.13 to \$43.50	231,408	42.42	4.3	-	-
\$46.38 to \$56.00	767,075	48.76	5.5	11,000	49.20
	2,713,770	\$28.81	5.6 years	1,116,087	\$14.90

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):

	1998	1997	1996
Basic:			
Net income	\$146,847	134,300	120,418
Less preferred dividends	46	1,353	1,211
Net income applicable to common stock	\$146,801	132,947	119,207
Average common shares outstanding	75,868	70,535	70,389
Net income per common share - basic	\$ 1.93	1.88	1.69
Diluted:			
Net income applicable to common stock	\$146,801	132,947	119,207
Average common shares outstanding	75,868	70,535	70,389
Stock option adjustment	1,120	2,278	1,769
Average common shares outstanding - diluted	76,988	72,813	72,158
Net income per common share - diluted	\$ 1.91	1.84	1.66

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 tactics that could to represent Shareholder Rights attached to each (a "Right") to participating pro subject to adjust

The Rights have Rights may cause attempts to acquire of the Board of not affect offer: stock at a fair price of the Company the Board of Directors its option, redeem outstanding Rights day following a group had acquired or more of the Company total voting power

16. INCOME TAXES

Federal:	
Current	
Deferred	
State	

A reconciliation using the statutory and actual income

Income tax expense
statutory federal
State income taxes,
Nondeductible expense
Nontaxable interest
Tax credits and other
taxes
Deferred tax assets
realized
Corporate reorganization
Decrease in valuation
allowance
Other items
Income tax expense

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, 1998, that the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 1998, 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.

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, 1998, the Company's subsidiaries had approximately \$53.5 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		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	\$1,358,821	11.48%	\$ 946,588	8.00%	\$ 1,183,235	10.00%
Zions First National Bank	619,720	15.15	327,189	8.00	408,986	10.00
California Bank & Trust	477,685	10.78	354,567	8.00	443,209	10.00
Tier I capital (to risk-weighted assets)						
The Company	1,000,653	8.46	473,294	4.00	709,941	6.00
Zions First National Bank	369,840	9.04	163,594	4.00	245,391	6.00
California Bank & Trust	312,976	7.06	177,284	4.00	265,925	6.00
Tier I capital (to average assets)						
The Company	1,000,653	5.98	501,933	3.00	836,555	5.00
Zions First National Bank	369,840	5.56	199,718	3.00	332,864	5.00
California Bank & Trust	312,976	5.40	173,948	3.00	289,913	5.00
As of December 31, 1997:						
Total capital (to risk-weighted assets)						
The Company	\$ 879,292	13.42%	\$ 524,339	8.00%	\$ 655,424	10.00%
Zions First National Bank	604,475	18.22	265,430	8.00	331,788	10.00
Tier I capital (to risk-weighted assets)						
The Company	757,245	11.55	262,170	4.00	393,254	6.00
Zions First National Bank	362,951	10.94	132,715	4.00	199,073	6.00
Tier I capital (to average assets)						
The Company	757,245	6.83	332,829	3.00	554,715	5.00
Zions First National Bank	362,951	5.66	192,417	3.00	320,695	5.00

18. RETIREMENT

The Company's pension plan for 1998 was based on years of service. Benefits are paid for five years of service based on corporate equity.

Effective January 1, 1999, the plan benefits that plan benefits will be based on value or an annual actuarial valuation curtailment reserves. The Bank plan par December 31, 1998.

On January 1, 1999, the Statement of Financial Position (Statement) N of the employer's disbursements for postretirement benefits will not change the 1998 and 1997.

The following 1998 and 1997 benefit obligations are presented:

Benefit obligation at beginning of year
Service cost
Interest cost
Acquisitions
Curtailments
Actuarial (gain) loss
Benefits paid
Benefit obligation

Plan assets included in the table presents the stock as of December 31, 1998.

Fair value of plan assets at beginning of year
Actual return on plan assets
Acquisitions
Employer contributions
Benefits paid
Fair value of plan assets at end of year

The Company also sponsors three unfunded, nonqualified supplemental executive retirement plans, which restore pension benefits limited by federal tax law. At December 31, 1998 and 1997, the Company’s liability included in accrued expenses totaled \$5.4 million and \$2.6 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. The Company’s retiree premium contribution rate is frozen at 50 percent of 1996 dollar amounts. The Company’s policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

The following table presents the change in the plan’s benefit obligation for the years ended December 31, 1998 and 1997, as follows (in thousands):

	1998	1997
Benefit obligation at beginning of year	\$ 3,817	3,747
Service cost	114	111
Interest cost	230	270
Actuarial gain	(434)	-
Benefits paid	254	311
Benefit obligation at end of year	\$ 3,473	3,817

The following table presents the plan’s funded status reconciled with amounts recognized in the Company’s consolidated balance sheets at December 31, 1998 and 1997, as follows (in thousands):

	1998	1997
Benefit obligation at end of year	\$ 3,473	3,817
Unrecognized net actuarial gain	(1,821)	(1,947)
Accrued benefit cost	\$ 5,294	5,764

Net periodic benefit cost recognized for the years ended December 31, 1998, 1997, and 1996, includes the following components (in thousands):

	1998	1997	1996
Service cost	\$ 114	111	195
Interest cost	230	270	414
Recognized net gain	(515)	(487)	-
Net periodic benefit cost	\$ (171)	(106)	609

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.0 percent at December 31, 1998 and 7.5 percent at December 31, 1997.

The actuarial assumed health care cost trend rate is 7.0 percent for 1999, 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, 1998 would be a \$352,000 increase and a \$341,000 decrease, respectively, to the aggregate service and interest cost components of the net periodic postretirement health care benefit cost and a \$3,503,000 increase and a \$3,444,000 decrease, respectively, to the accumulated postretirement benefit obligation for health care benefits.

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 \$3,577,000, \$2,672,000, and \$2,198,000 for the years ended December 31, 1998, 1997, and 1996, respectively.

The Company terminated its broad-based employee profit-sharing plan and replaced it with a broad-based Employee Stock Option Plan, as discussed in note 13.

19. FAIR VALU
Financial asset
investment secu
active markets.
subjective judg
the following
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Long-term debt
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Off-balance sheet in
Caps and floors:
Written
Purchased
Swaps
Forwards
Total off-balar

	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
1998:								
Net interest income	\$ 222,044	117,808	78,308	70,687	50,397	13,939	(9,420)	543,763
Provision for loan losses	23,000	(18,447)	4,588	1,800	1,560	78	(400)	12,179
Net interest income after provision for loan losses	199,044	136,255	73,720	68,887	48,837	13,861	(9,020)	531,584
Noninterest income	142,654	15,051	14,844	9,312	15,047	1,702	2,103	200,713
Merger expense and amortization of goodwill and core deposit intangibles	2,445	29,635	7,681	1,867	1,490	7,702	2,864	53,684
Other noninterest expense	216,377	82,080	57,299	40,131	41,854	7,453	15,179	460,373
Income before income taxes and minority interest	122,876	39,591	23,584	36,201	20,540	408	(24,960)	218,240
Income taxes	35,519	16,439	8,807	14,013	6,881	346	(11,143)	70,862
Minority interest	-	-	-	-	-	-	(531)	(531)
Net income	\$ 87,357	23,152	14,777	22,188	13,659	62	(14,348)	146,847
Assets	\$6,042,170	6,012,572	1,955,087	1,451,866	1,120,703	337,351	(270,828)	16,648,921
Net loans and leases	3,509,319	4,182,821	1,211,653	1,012,038	550,570	154,892	12,199	10,633,492
Deposits	3,933,823	5,348,694	1,688,719	1,225,796	929,370	221,403	(26,642)	13,321,163
Shareholders' equity	378,449	435,723	192,564	116,262	84,976	23,159	(217,477)	1,013,656
1997:								
Net interest income	\$ 206,009	60,388	41,175	61,577	37,076	12,596	(6,290)	412,531
Provision for loan losses	-	2,892	781	2,400	1,560	300	(175)	7,758
Net interest income after provision for loan losses	206,009	57,496	40,394	59,177	35,516	12,296	(6,115)	404,773
Noninterest income	113,756	8,062	1,032	6,272	11,884	1,303	4,065	146,374
Merger expense and amortization of goodwill and core deposit intangibles	1,132	814	1,992	1,568	450	-	3,421	9,377
Other noninterest expense	184,758	38,424	30,352	34,168	31,400	7,059	9,091	335,252
Income before income taxes	133,875	26,320	9,082	29,713	15,550	6,540	(14,562)	206,518
Income taxes	45,295	10,490	3,797	11,896	4,863	2,082	(6,205)	72,218
Net income	\$ 88,580	15,830	5,285	17,817	10,687	4,458	(8,357)	134,300
Assets	\$ 5,894,174	1,211,371	1,203,866	1,351,876	988,010	298,478	(78,571)	10,869,204
Net loans and leases	2,780,986	727,302	717,255	797,620	488,659	153,765	3,315	5,668,902
Deposits	3,665,705	1,085,679	951,840	1,191,774	833,644	235,771	(8,179)	7,956,234
Shareholders' equity	421,501	91,951	140,500	105,099	86,170	23,890	(127,059)	742,052
1996:								
Net interest income	\$ 187,900	45,154	22,727	50,485	25,694	10,106	(4,341)	337,725
Provision for loan losses	-	1,800	916	2,300	1,240	270	-	6,526
Net interest income after provision for loan losses	187,900	43,354	21,811	48,185	24,454	9,836	(4,341)	331,199
Noninterest income	93,737	5,371	4,492	3,575	8,807	1,233	4,792	122,007
Merger expense and amortization of goodwill and core deposit intangibles	502	713	231	1,096	103	-	692	3,337
Other noninterest expense	156,535	33,865	17,687	26,284	22,813	6,182	6,421	269,787
Income before income taxes	124,600	14,147	8,385	24,380	10,345	4,887	(6,662)	180,082
Income taxes	41,460	3,385	2,940	9,715	3,094	1,545	(2,475)	59,664
Net income	\$ 83,140	10,762	5,445	14,665	7,251	3,342	(4,187)	120,418
Assets	\$ 4,862,570	940,034	561,811	1,023,915	570,927	237,517	27,552	8,224,326
Net loans and leases	2,476,218	598,603	319,905	704,432	268,333	132,102	3,560	4,503,153
Deposits	3,167,894	832,196	439,351	900,432	500,498	185,740	(16,807)	6,009,304
Shareholders' equity	374,432	68,136	45,435	109,304	46,703	20,300	(22,987)	641,323

20. OPERATING SEGMENTS

The preceding segment information represents the results of operations for the years ended December 31, 1998, 1997, and 1996.

As of December 31, 1998, the Company's consolidated balance sheet and Statement No. 1, "Business Enterprise Information," provide information about its assets, liabilities, and equity components of an enterprise. This information is a condensed financial statement and is not a substitute for the chief operating and financial information of the Company and its subsidiaries.

21. QUARTERLY FINANCIAL INFORMATION

Financial information for the three months ended December 31, 1998, 1997, and 1996, per share amounts:

1998:
First quarter
Second quarter
Third quarter
Fourth quarter

1997:
First quarter
Second quarter
Third quarter
Fourth quarter

1996:
First quarter
Second quarter
Third quarter
Fourth quarter

22. PARENT COMPANY FINANCIAL INFORMATION

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

CONDENSED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

<i>(In thousands)</i>	1998	1997
ASSETS		
Cash and due from banks	\$ 155	4,122
Interest-bearing deposits	19,637	2,241
Investment securities	9,950	2,490
Loans, lease financing, and other receivables, net	14,797	1,680
Investments in subsidiaries:		
Commercial banks and bank holding company	1,196,520	902,621
Other	25,711	5,828
Receivables from subsidiaries:		
Commercial banks	110,000	-
Other	2,865	2,945
Other assets	32,742	22,351
	\$ 1,412,377	944,278
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accrued liabilities	\$ 36,731	23,828
Borrowings less than one year	111,217	48,050
Borrowings over one year	-	50,000
Subordinated debt to subsidiary	23,773	25,773
Long-term debt	227,000	54,575
Total liabilities	398,721	202,226
Shareholders' equity:		
Common stock	324,099	190,039
Net unrealized holding gains and losses on securities available for sale	(4,280)	1,902
Retained earnings	693,837	550,111
Total shareholders' equity	1,013,656	742,052
	\$ 1,412,377	944,278

CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

<i>(In thousands)</i>	1998	1997	1996
Interest income - interest and fees on loans and securities	\$ 7,023	942	895
Interest expense - interest on borrowed funds	17,307	9,217	6,154
Net interest loss	(10,284)	(8,275)	(5,259)
Other income:			
Dividends from consolidated subsidiaries:			
Commercial banks	210,890	100,534	49,838
Other	1,430	500	1,000
Other income	7,080	5,511	4,141
	219,400	106,545	54,979
Expenses:			
Salaries and employee benefits	5,473	7,768	6,483
Operating expenses	9,714	6,982	2,766
	15,187	14,750	9,249
Income before income tax benefit	193,929	83,520	40,471
Income tax benefit	(8,249)	(6,955)	(3,306)
Income before equity in undistributed income of consolidated subsidiaries	202,178	90,475	43,777
Equity in undistributed income of consolidated subsidiaries:			
Commercial banks and bank holding company	(50,559)	44,176	76,015
Other	(4,772)	(351)	626
	(55,331)	43,825	76,641
Net income	\$ 146,847	134,300	120,418

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

<i>(In thousands)</i>
Cash flows from operating activities:
Net income
Adjustments to reconcile net income to cash flows from operating activities:
Undistributed earnings
Depreciation and amortization
Other
Net cash provided by operating activities
Cash flows from investing activities:
Net (increase) decrease in cash and due from banks
Collection of advances to subsidiaries
Increase of investments in subsidiaries
Purchases of other assets
Other
Net cash used in investing activities
Cash flows from financing activities:
Net change in borrowings
Proceeds from borrowings
Payments on borrowings
Proceeds from issuance of common stock
Payments on long-term debt
Proceeds from issuance of subordinated debt
Payments to redeem subordinated debt
Dividends paid
Net cash provided by financing activities
Net decrease in cash and due from banks
Cash and due from banks at beginning of year
Cash and due from banks at end of year

The parent company's condensed financial information for the years ended 1998, 1997, and 1996 is presented on a consolidated basis.