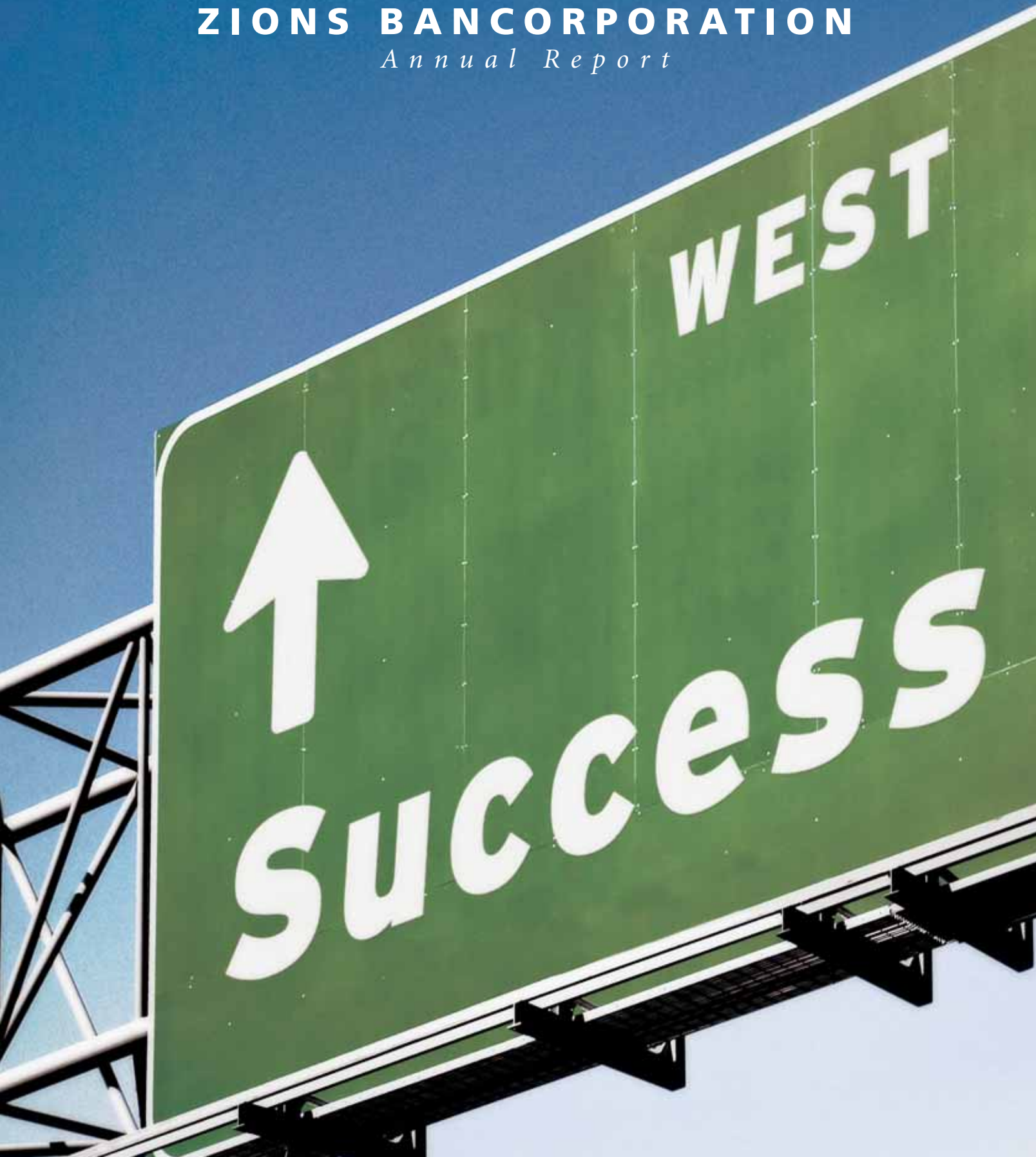




ZIONS BANCORPORATION

Annual Report



FINANCIAL HIGHLIGHTS

		2005/2004 Change	05 ³	04	03	02	01
(In millions, except per share amounts)							
FOR THE YEAR							
Net interest income	+17%	\$ 1,361.4	1,160.8	1,084.9	1,025.7	942.8	
Noninterest income	+ 2%	438.8	431.6	500.7	386.2	419.2	
Total revenue	+13%	1,800.2	1,592.4	1,585.6	1,411.9	1,362.0	
Provision for loan losses	- 2%	43.0	44.1	69.9	71.9	73.2	
Noninterest expense	+10%	1,014.7	923.3	893.9	858.9	836.1	
Impairment loss on goodwill	-	0.6	0.6	75.6	-	-	
Income from continuing operations before income taxes and minority interest	+19%	741.9	624.4	546.2	481.1	452.7	
Income taxes	+20%	263.4	220.1	213.8	167.7	161.9	
Minority interest	- 6%	(1.6)	(1.7)	(7.2)	(3.7)	(7.8)	
Income from continuing operations	+18%	480.1	406.0	339.6	317.1	298.6	
Loss on discontinued operations	-	-	-	(1.8)	(28.4)	(8.4)	
Cumulative effect adjustment	-	-	-	-	(32.4)	(7.2)	
Net income	+18%	480.1	406.0	337.8	256.3	283.0	
PER SHARE							
Income from continuing operations – diluted	+15%	5.16	4.47	3.74	3.44	3.24	
Net income – diluted	+15%	5.16	4.47	3.72	2.78	3.07	
Net income – basic	+16%	5.27	4.53	3.75	2.80	3.10	
Dividends declared	+14%	1.44	1.26	1.02	.80	.80	
Book value ¹	+30%	40.30	31.06	28.27	26.17	24.74	
Market price – end		75.56	68.03	61.34	39.35	52.58	
Market price – high		77.67	69.29	63.86	59.65	64.00	
Market price – low		63.33	54.08	39.31	34.14	42.30	
AT YEAR-END							
Assets	+36%	42,780	31,470	28,558	26,566	24,304	
Net loans and leases	+33%	30,127	22,627	19,920	19,040	17,311	
Loans sold being serviced ²	+10%	3,383	3,066	2,782	2,476	2,648	
Deposits	+40%	32,642	23,292	20,897	20,132	17,842	
Long-term borrowings	+43%	2,746	1,919	1,843	1,310	1,022	
Shareholders' equity	+52%	4,237	2,790	2,540	2,374	2,281	
PERFORMANCE RATIOS							
Return on average assets		1.43%	1.31%	1.20%	0.97%	1.19%	
Return on average shareholders' equity		15.86%	15.27%	13.69%	10.95%	13.28%	
Efficiency ratio		55.72%	57.22%	55.65%	63.40%	61.60%	
Net interest margin		4.58%	4.27%	4.41%	4.52%	4.61%	
CAPITAL RATIOS ¹							
Equity to assets		9.90%	8.87%	8.89%	8.94%	9.38%	
Tier 1 leverage		8.16%	8.31%	8.06%	7.56%	6.56%	
Tier 1 risk-based capital		7.52%	9.35%	9.42%	9.26%	8.25%	
Total risk-based capital		12.23%	14.05%	13.52%	12.94%	12.20%	
SELECTED INFORMATION							
Average common and common-equivalent shares (in thousands) ⁴		92,994	90,882	90,734	92,079	92,174	
Common dividend payout ratio		27.14%	28.23%	27.20%	28.58%	26.11%	
Full-time equivalent employees		10,102	8,026	7,896	8,073	8,124	
Commercial banking offices		473	386	412	415	412	
ATMs		600	475	553	588	589	

¹ At year-end.

² Amount represents the outstanding balance of loans sold and being serviced by the Company, excluding conforming first mortgage residential real estate loans.

³ Amounts for 2005 include Amegy Corporation at December 31, 2005 and for the month of December 2005. Amegy was acquired on December 3, 2005.

⁴ Average shares for 2005 only reflect shares issued for Amegy since the date of acquisition. Common and common-equivalent shares at December 31, 2005 were 107,248.

ZIONS BANCORPORATION 05 ANNUAL REPORT

TABLE OF CONTENTS TC

SHAREHOLDERS' LETTER 2

QUICK FACTS 9

FINANCIAL INFORMATION 19

OFFICERS AND DIRECTORS 135

143 CORPORATE INFORMATION

1

TO OUR SHAREHOLDERS:

Zions Bancorporation experienced an extraordinary year in 2005. Our “Collection of Great Banks” continued to demonstrate the power of our operating model, with strong local teams of bankers building the best franchises in their markets and producing financial results which rank among the best in the industry. By virtually any measurement, our performance this past year was strong by historical standards and as compared to our peers in the banking industry.

The year 2005 also marked our expansion into some of the nation’s most dynamic markets, with the merger of Amegy Bancorporation in Texas, and the establishment of a new bank in Portland, Oregon. We operate in many of the nation’s best growth markets in the West and Southwest, and we expect continued strong internal growth in the years ahead as we bring our unique blend of local management and problem solving, combined with the extensive product set of a larger banking company, to the increasing numbers of businesses, large and small, and others in this rapidly growing part of the country.

FINANCIAL RESULTS Zions Bancorporation’s net income in 2005 was \$480.1 million, or \$5.16 per diluted share, an increase of 18.3% and 15.4%, respectively, over the \$406.0 million or \$4.47 per share earned in 2004. The return on average shareholders’ equity was 15.86%, up from 15.27% in 2004. Financial results in 2005 include one month’s results from Amegy, as the transaction was consummated in early December.

Taxable-equivalent revenue increased 12.9% to \$1.8 billion, due primarily to a 17.3% increase in net interest income to \$1.4 billion, owing to strong average loan portfolio growth of 14.1% and a net interest margin which strengthened from 4.27% in 2004 to 4.58% in 2005. The net interest margin improvement was driven in part by strong growth in average noninterest-bearing demand deposits, which increased 18.3% in 2005. Noninterest income increased a modest 1.7% as higher short-term interest rates produced stronger earning credit rates on commercial deposits and thus dampened deposit service charge income. Noninterest expense rose 9.9% to \$1.0 billion, producing an improved “efficiency ratio”—operating expenses as a percentage of taxable-equivalent revenues—of 55.72% as compared to 57.22% in 2004.

Credit costs were modest in 2005, as net charge-offs totaled \$25.0 million, or .10% of average net loans and leases, as compared to \$39.4 million or .19% of average loans

and leases in 2004. The provision for loan losses charged to earnings and added to the Company’s loan loss reserve was \$43.0 million, a 2.4% decrease from the \$44.1 million charged against earnings in 2004.

Nonperforming assets also showed considerable improvement in 2005, decreasing to .30% of net loans, leases and other real estate owned at year-end 2005, as compared to .37% at the end of 2004.

EXPANDING OUR TERRITORY In July, we announced an agreement with Amegy Bancorporation of Houston, Texas, to merge the company and its wholly-owned subsidiary, Amegy Bank, into Zions Bancorporation for a combination of cash and Zions common shares. Amegy, which had approximately \$7.7 billion in assets at the time the transaction was announced, and over 80 full-service locations in the dynamic Houston and Dallas markets, was the largest independent bank in Houston, and the third-largest independent bank in Texas. We had long considered Amegy to be the premier commercial banking franchise in Texas, led by a strong team of seasoned local bankers. It is a bank capable of building a much larger business throughout Texas in the years ahead.

We see a bright future ahead for the Amegy franchise. This combination is one which allows both companies to become stronger and to diversify risk better without sacrificing growth prospects. Amegy Bank of Texas is the kind of bank with which we love to enter a market—one whose “share of mind” is greater than its share of market, the result of its premier reputation for service, community leadership and working with customers to provide outstanding products and financial solutions.

Amegy will maintain its brand, its management team and organizational structure, and its ability to make local decisions and create products geared to its market. It will continue to build the kind of business of which its management, employees and we as shareholders can be proud. At the same time, we expect to produce savings of over \$45 million annually by consolidating a variety of back-office functions, allowing the bank to become even more competitive in the marketplace.

Amegy’s strength in the Texas market, its excellent fit with our operating model, and customer enthusiasm for the merger, were evidenced by its strong performance in the second half of the year, subsequent to the announcement of the transaction. Net loans and leases rose at an annualized

rate of 22.8%, demand deposits rose at a rate of 20.5% and total deposits increased at a rate of 34.0%.

Late in the year we also established a new banking business, The Commerce Bank of Oregon, in Portland. This bank, which is managed by seasoned Oregon bankers, was capitalized with \$20 million and is modeled after our successful bank in Seattle, The Commerce Bank of Washington. It operates out of a single location in the downtown business district, but serves the needs of businesses and their owners throughout the greater Portland area. We are very enthusiastic about this new addition to our family of banks in this rapidly growing and important Northwestern market.

BUILDING AN ENDURING BANKING BUSINESS

Commercial banking is not a particularly complex business. But, as with most businesses, success and the creation of value lie in mastering challenges that are peculiar to banking. We remind our employees that our long-term challenge is to balance three fundamentally important, but often conflicting, objectives. We refer to them as the “three-legged stool.”

The first leg of the stool is the effective management of a wide variety of risks.

Given the nature of our business, the risk of greatest significance and likely consequence is credit risk. But there are a number of other risks, including interest rate and market risks, liquidity risk, compliance risk and operational risk, to name but a few. Although we operate in a decentralized manner, we measure and monitor these risks in standardized ways across the Company.

For instance, each of our banks works within the framework of a “core” credit policy that is customized to account for the characteristics of local economies and the nature of each bank’s business mix. While each bank has its own credit approval function, we apply a consistent methodology to “grading” credit risk, and a centralized credit examination department tests our credit processes and risk grading to ensure compliance and consistent application of credit policies.

We monitor and manage interest rate and market risks centrally, through an Assets and Liabilities Management Committee (“ALCO”), with the participation of each of the banks’ CEOs and financial officers. We engage in extensive modeling of each bank’s balance sheet and income

statement to gauge the effect of changes in interest rates on our businesses, and apply appropriate hedging techniques to minimize the effect of changing rates on income and on the market value of our shareholders’ investment in the Company. We also work with our banks to ensure that liquidity and capital are adequately maintained.

We apply similar techniques and controls to other risks in our business. And our senior officers who oversee the control of these discrete risks participate on an Enterprise Risk Management Committee, where we integrate the oversight of risk throughout the Company.

The effectiveness of our risk management process is reflected in the fact that, in recent years, our credit costs and levels of nonperforming assets have remained at levels substantially below those of our peers. Our net interest margin has both exceeded our peer group average and displayed less volatility. Other risk categories have likewise demonstrated strong performance over the past several years.

The second leg of the stool is sales and the creation of a quality experience for our customers.

It seems obvious that sales growth comes easier in markets that are growing than in those that are not. Over the past twenty years, since we first began to diversify our business outside of Utah, we have deliberately sought to establish a significant presence in some of the best growth markets in the United States. The states in which we now operate, weighted by our deposits in each of those states, are expected by the U.S. Census Bureau to experience population growth at a rate 75% greater than that of the nation as a whole over the next quarter century. The addition of Texas to our footprint provides us with a market which is expected to grow at a rate 108% greater than the national average over the same period. We believe that Zions Bancorporation enjoys the single best geographic “footprint” in terms of growth potential among all larger banks in the industry.

While our location in great markets provides us with opportunity, it is still requisite that we have a solid set of products, a sales-oriented culture, well-trained people and incentives to reward outstanding performance. In addition to basic loan and deposit products, our banks offer sophisticated services in specialized areas. For example, our NetDeposit subsidiary’s remote deposit product was sold to 2,500 businesses in the past year, establishing Zions as the national leader in developing and deploying this innovative

OUR "COLLECTION OF GREAT BANKS"
DEMONSTRATES THE POWER OF OUR
OPERATING MODEL, WITH STRONG LOCAL
TEAMS OF BANKERS BUILDING THE BEST
FRANCHISES IN THEIR MARKETS.



technology which allows customers to conveniently deposit checks electronically from their place of business. Our ProviderPay® product facilitates the reconciliation of health care providers' claims and payments from insurance carriers. And our Contango Capital Advisors provides wealth management strategies to business owners and others with sophisticated needs.

We focus on providing the very best products and services available to business customers of all sizes. We are particularly adept at serving the needs of small businesses, and take pride in helping entrepreneurs build solid companies. One measure of our success is that, while we ranked 34th in total assets among U.S. bank holding companies for the government fiscal year ending September 30, 2005, we ranked third in the nation in providing U.S. Small Business Administration ("SBA") loans under the SBA's 7(a) and 504 programs this past year.

A measure of our sales success is our revenue per share, which has grown at a compounded annual rate of 13.2% per year over the past decade, as compared to an average of 8.7% for our peer institutions.

Our business model is especially powerful at producing quality experiences for customers, by establishing strong local management teams for each of our banks. This means that decision-making, resolving conflicts and meeting clients' needs takes place locally, by managers who are close to their customers and who have strong relationships with them.

*The third leg of the "three-legged stool"
is control of operating expenses.*

Ours is fundamentally a "commodity" business. The banking business is highly competitive, and price is a significant factor in customers' choice of providers. So cost control is an important objective for us. While we prize the relative autonomy of our eight affiliate banks, we recognize the need to achieve economies in those portions of our business where scale is important.

Consequently, we provide a variety of centralized services for our banks through Zions Management Services Company. These services include data processing, check processing, call center functions, consumer and small business loan processing and documentation, employee payroll and benefits and a variety of other important "back-office" functions.

We remind our employees that sometimes the three legs of this stool are at odds with each other. For example, creating a strong credit culture—and having to sometimes say "no"—conflicts with a sales culture that is driven by the desire to say "yes." Likewise, expense control creates constraints on a company's level of service to customers and its ability to market its products. Nevertheless, in order to build a healthy and enduring banking business, each of these "legs" must be continually strengthened and balanced. The investments and the decisions we make in our business are designed to achieve that result.

PEOPLE MEAN EVERYTHING Years ago, Zions First National Bank's tagline was, "Where People Mean Everything." For Zions Bancorporation, this has never been truer. Creating great strategies on paper is relatively easy. Building a team of great people to make it all work is how real value is created. We have a remarkable team of some 10,000 bankers who are producing some of the best results in the industry. We are proud, for example, that of *U.S. Banker* magazine's most recent list of the fifty most influential women in banking, we claim three of them—Lori Chillingworth, Debbie Innes and Becky Kearns—as our own. We strive to create a business model and an environment that is conducive to entrepreneurship and that rewards our people not only financially, but with the kind of pride which comes of knowing that you have been an integral part of building something great, in which you can claim ownership.

We salute a long-time member of our board of directors, Richard H. Madsen, who retired this past year after 11 years of service to the Company. And we welcome J. David Heaney to our board. David Heaney had served on the Amegy Bancorporation board of directors, and brings a wealth of financial, legal and investment experience to us.

We thank you, as shareholders, for your investment and for your support. We invite you to bring us your business, and hope you will encourage others to do the same!

Respectfully,



Harris H. Simmons

Chairman, President and CEO

March 15, 2006

A large green billboard is mounted on a metal lattice structure against a clear blue sky. The billboard features white text that reads "Roads to success have been leading West." The text is arranged in four lines, slanted upwards from left to right. The billboard is supported by a series of metal brackets and beams.

**Roads to
success have
been leading
West.**

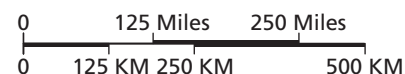
A green highway sign with white text is mounted on a metal structure against a clear blue sky. The sign is slightly tilted and has a white border. The text on the sign is in a bold, sans-serif font.

**Projections
indicate strong
growth to continue
in the West.**



FIRMLY ESTABLISHED IN THE WEST,
 ZIONS HAS TARGETED THE **COUNTRY'S**
MOST ROBUST MARKETS, WITH 2005
 PROVING AGAIN THAT A COLLECTION OF
 GREAT BANKS IN GREAT MARKETS IS A
 FORMULA FOR OUTSTANDING SUCCESS.

ZIONS BANCORPORATION | A Collection of Great Banking Markets



- ★ *State Capitals*
- **Cities 500,000+**
- Cities 100,000-499,999

International Boundaries
 State Boundaries

Toll Roads and Bridges
 Interstate Highways
 U.S. Highways

Major Rivers
 Lakes

BANK / HEADQUARTERS

CEO

OFFICES

ATMs

(IN MILLIONS)

ASSETS

DEPOSITS

Zions First National Bank Salt Lake City, UT	A. Scott Anderson	134	178	\$12,651	\$9,213
California Bank & Trust San Diego, CA	David E. Blackford	91	105	10,896	8,896
Amegy Houston, TX	Paul B. Murphy, Jr.	82	130	9,350	6,905
National Bank of Arizona Phoenix, AZ	Keith D. Maio	53	53	4,209	3,599
Nevada State Bank Las Vegas, NV	William E. Martin	69	78	3,681	3,171
Vectra Bank Colorado Denver, CO	Bruce K. Alexander	42	56	2,324	1,636
The Commerce Bank of Washington Seattle, WA	Stanley D. Savage	1	-	789	442
The Commerce Bank of Oregon Portland, OR	Michael V. Paul	1	-	21	1



THROUGH THE YEAR 2030, THE POPULATION
**IN ZIONS' FOOTPRINT IS PROJECTED TO
GROW 75% FASTER** THAN THE NATION AS
A WHOLE. THIS CONTINUES THE 200-YEAR
TREND THAT HAS SEEN THE COUNTRY'S
POPULATION SHIFT TOWARD THE WEST.

In 2005, seven of the 10 fastest-growing states were in Zions' markets. From 2000 to 2030, 88% of the U.S. population growth will occur in the West and South. Outpacing all other states, Nevada and Arizona are expected to grow by 114% and 108%, respectively, compared to a national growth rate of 29%.

NEVADA **114%**

ARIZONA **108%**

TEXAS **60%**

UTAH **56%** / IDAHO **52%**

WASHINGTON **46%**

OREGON **41%**

COLORADO **35%**

CALIFORNIA **37%**

NATIONAL AVERAGE **29%**



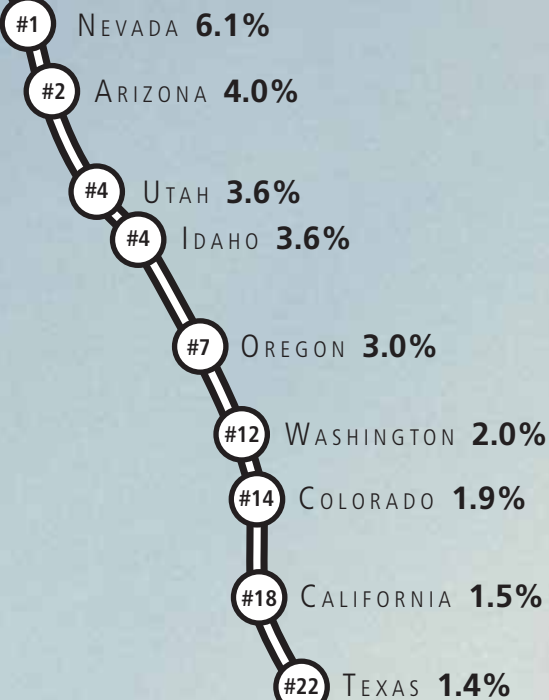
EACH STATE IN ZIONS' OPERATIONS RANKED
IN THE **HIGHEST JOB CREATION MARKETS**
IN 2005. ARIZONA, UTAH AND IDAHO WERE
IN THE TOP FIVE, WITH NEVADA CLAIMING
THE FIRST SPOT IN THE NATION AT 6.1%.



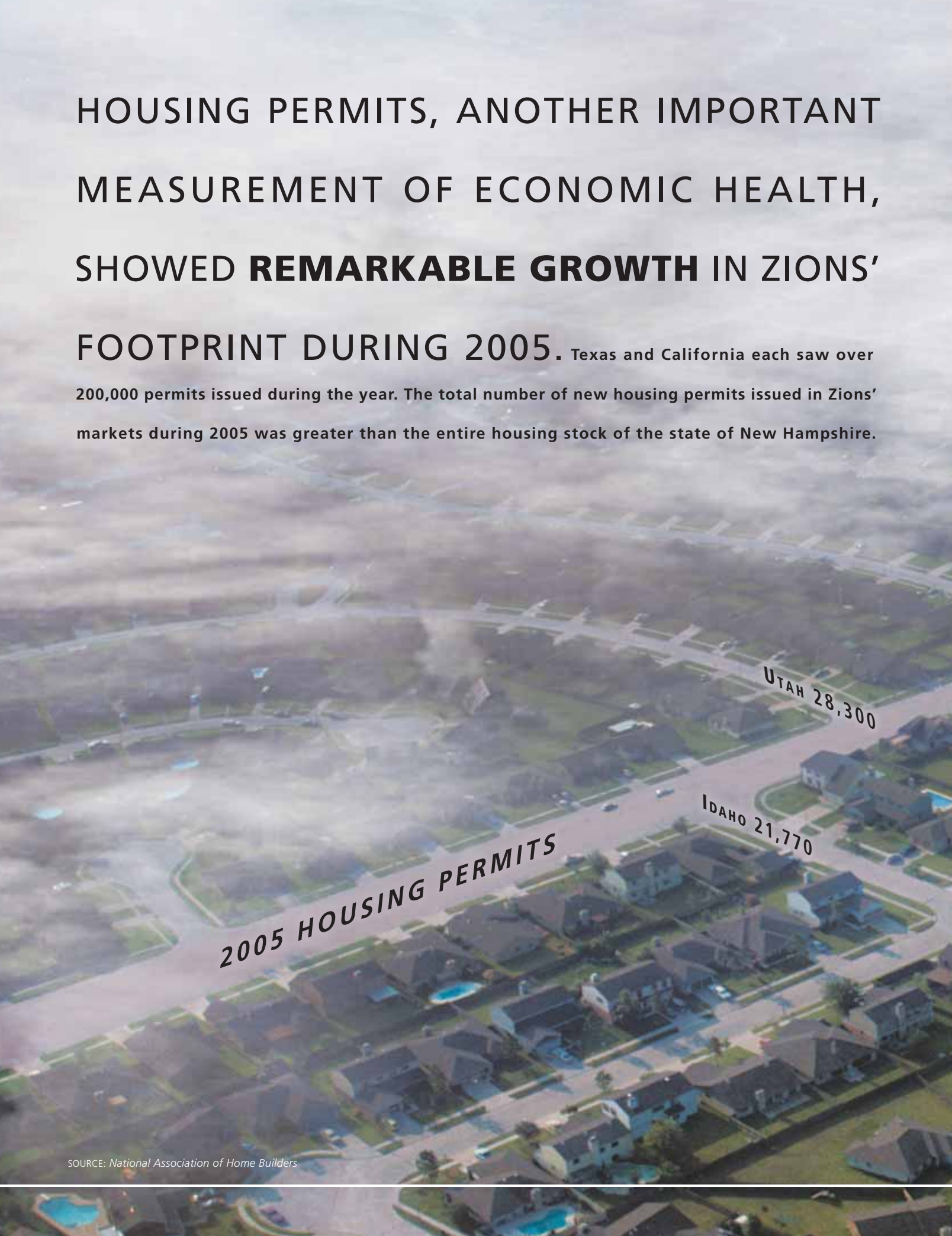
JOB CREATION

CURRENT STATE RANKING AS MEASURED BY GROWTH RATE IN 2005

Source: Department of Labor Statistics





An aerial photograph of a suburban neighborhood, showing rows of houses with swimming pools and manicured lawns. The houses are arranged in a grid-like pattern, with streets and driveways visible. The overall tone is slightly desaturated, giving it a vintage or official feel.

HOUSING PERMITS, ANOTHER IMPORTANT MEASUREMENT OF ECONOMIC HEALTH, SHOWED **REMARKABLE GROWTH** IN ZIONS' FOOTPRINT DURING 2005.

Texas and California each saw over 200,000 permits issued during the year. The total number of new housing permits issued in Zions' markets during 2005 was greater than the entire housing stock of the state of New Hampshire.

2005 HOUSING PERMITS

UTAH 28,300

IDAHO 21,770



CALIFORNIA 202,220

TEXAS 208,980

ARIZONA 91,440

WASHINGTON 52,780

NEVADA 47,040

COLORADO 46,260

OREGON 31,860

TEXAS IS THE SECOND MOST POPULOUS
STATE IN THE NATION—SECOND ONLY TO
CALIFORNIA. ACQUIRING TEXAS-BASED
AMEGY GIVES ZIONS A STRONG PRESENCE
IN ONE OF THE LARGEST AND FASTEST
GROWING STATES IN THE COUNTRY.

Houston has the second largest port in the country and sixth in the world, and is the headquarters to 21 Fortune 500 companies. Texas is one of the world's major oil centers and home to a large space and science research industry. The Texas Medical Center in Houston is the world's largest hospital and healthcare complex.

The



ZIONS BANCORPORATION

10-K

**FINANCIAL
INFORMATION**

FINANCIAL INFORMATION

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 20 FORWARD-LOOKING INFORMATION
- 20 EXECUTIVE SUMMARY
- 24 MANAGEMENT'S OVERVIEW OF 2005 PERFORMANCE
- 30 CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES
- 37 RESULTS OF OPERATIONS
- 45 BUSINESS SEGMENT RESULTS
- 55 BALANCE SHEET ANALYSIS
- 62 RISK ELEMENTS
- 76 CAPITAL MANAGEMENT

REPORT ON MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

- 79 REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
- 80 REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

- 81 CONSOLIDATED BALANCE SHEETS
- 82 CONSOLIDATED STATEMENTS OF INCOME
- 83 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
- 84 CONSOLIDATED STATEMENTS OF CASH FLOWS
- 86 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FORM 10-K

MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD-LOOKING INFORMATION

Statements in this Annual Report to Shareholders that are based on other than historical data are forward-looking, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others:

- statements with respect to the Company's beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance;
- statements preceded by, followed by or that include the words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "projects," or similar expressions.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management's views as of any subsequent date. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, either expressed or implied, in Management's Discussion and Analysis. Factors that might cause such differences include, but are not limited to:

- the Company's ability to successfully execute its business plans and achieve its objectives;
- changes in political and economic conditions, including the economic effects of terrorist attacks against the United States and related events;
- changes in financial market conditions, either nationally or locally in areas in which the Company conducts its operations, including without limitation, reduced rates of business formation and growth, commercial real estate development and real estate prices;
- fluctuations in the equity and fixed-income markets;
- changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition;
- acquisitions and integration of acquired businesses;
- increases in the levels of losses, customer bankruptcies, claims and assessments;

- changes in fiscal, monetary, regulatory, trade and tax policies and laws, including policies of the U.S. Treasury and the Federal Reserve Board;
- continuing consolidation in the financial services industry;
- new litigation or changes in existing litigation;
- success in gaining regulatory approvals, when required;
- changes in consumer spending and savings habits;
- increased competitive challenges and expanding product and pricing pressures among financial institutions;
- demand for financial services in Zions' market areas;
- inflation and deflation;
- technological changes and Zions' implementation of new technologies;
- Zions' ability to develop and maintain secure and reliable information technology systems;
- legislation or regulatory changes which adversely affect the Company's operations or business;
- the Company's ability to comply with applicable laws and regulations; and
- changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or regulatory agencies.

The Company specifically disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

EXECUTIVE SUMMARY

Company Overview

Zions Bancorporation ("the Parent") and subsidiaries (collectively "the Company," "Zions," "we," "our," "us") is a \$43 billion financial holding company headquartered in Salt Lake City, Utah. The Company is the twenty-third largest domestic bank in terms of deposits, operating banking businesses through approximately 475 offices and 600 ATMs in ten Western states: Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, and Washington. Our banking businesses include: Zions First National Bank ("Zions Bank"), in Utah and Idaho; California Bank & Trust ("CB&T"); Amegy Corporation ("Amegy"), in Texas;

National Bank of Arizona (“NBA”); Nevada State Bank (“NSB”); Vectra Bank Colorado (“Vectra”), in Colorado and New Mexico; The Commerce Bank of Washington (“TCBW”); and The Commerce Bank of Oregon (“TCBO”).

The Company also operates a number of specialty financial services and financial technology businesses that conduct business on a regional or national scale. The Company is a national leader in Small Business Administration (“SBA”) lending, public finance advisory services, and in software sales and cash management services related to “Check 21 Act” electronic imaging and clearing of checks. In addition, Zions is included in the S&P 500 and NASDAQ Financial 100 indices.

In operating its banking businesses, the Company seeks to combine the advantages that it believes can result from decentralized organization and branding, with those that can come from centralized risk management, capital management and operations. In its specialty financial services and technology businesses, the Company seeks to develop a competitive advantage in a particular product, customer or technology niche.

Banking Businesses

As shown in Charts 1 and 2 the Company’s loans and core deposits are widely diversified among the banking franchises the Company operates.

Chart 1. DISTRIBUTION OF LOANS BY AFFILIATE
(at December 31, 2005)

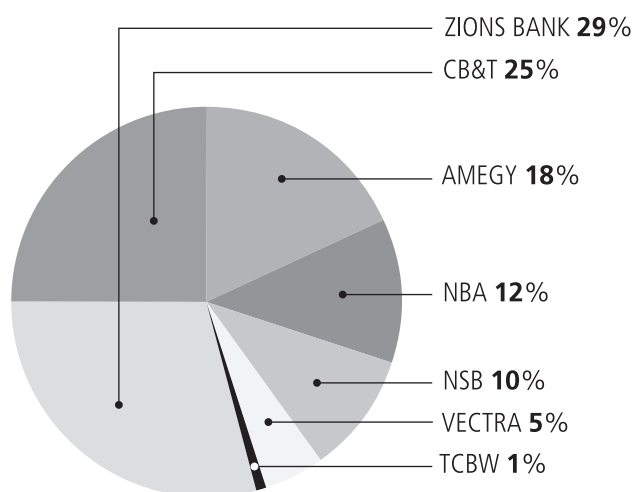
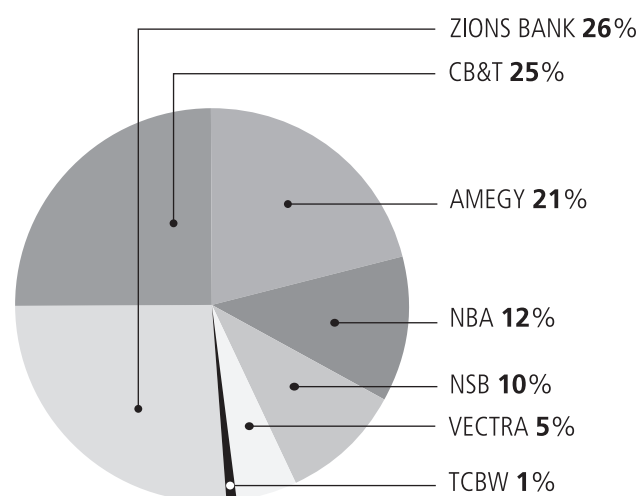


Chart 2. DISTRIBUTION OF CORE DEPOSITS BY AFFILIATE

(at December 31, 2005)



We believe that the Company distinguishes itself by having a strategy for growth in its banking businesses that is unique for a bank holding company of its size. This growth strategy is driven by three key factors: (1) focus on high growth markets; (2) keep decisions about customers local; and (3) centralize technology and operations to achieve economies of scale.

Focus on High Growth Markets

Each of the states in which the Company conducts its banking businesses has experienced relatively high levels of historical economic growth and each ranks among the top one-third of the fastest growing states as projected by the U. S. Census Bureau. In addition, in the recent past these states have experienced relatively high levels of population growth compared to the rest of the country.

Schedule 1

DEMOGRAPHIC PROFILE

BY STATE

(Dollar amounts in thousands)	Number of branches 12/31/2005	Deposits in market at 12/31/2005 ¹	Percent of Zions' deposit base	Estimated 2005 total population ²	Estimated population % change 2000-2005 ²	Projected population % change 2005-2010 ²	Estimated median household income 2005 ²	Estimated household income % change 2000-2005 ²	Projected household income % change 2005-2010 ²
California	91	\$ 8,824,522	27.03%	36,529,730	7.85%	7.69%	\$ 56.0	17.65%	18.03%
Utah	111	7,626,337	23.36	2,474,258	10.80	10.93	53.2	16.35	17.16
Texas	82	6,905,010	21.15	23,107,948	10.82	10.58	47.8	19.83	18.06
Arizona	53	3,579,054	10.97	5,882,500	14.65	13.79	50.9	25.39	24.97
Nevada	69	3,149,885	9.65	2,448,536	22.53	20.82	53.2	19.33	18.49
Colorado	41	1,590,690	4.87	4,797,963	11.55	10.34	55.7	17.84	17.38
Idaho	23	517,048	1.59	1,428,234	10.38	10.24	43.8	16.03	15.95
Washington	1	433,892	1.33	6,319,255	7.21	6.92	51.5	12.60	13.14
New Mexico	1	14,738	0.05	1,916,138	5.34	5.66	39.8	16.41	16.38
Oregon	1	1,232	-	3,657,282	6.89	7.16	47.4	15.82	14.41
Zions' weighted average					11.63	11.23	52.8	18.68	18.52
Aggregate national				298,727,898	6.15	6.26	49.7	17.98	17.36

¹ Excludes intercompany deposits.

² Data Source: SNL Financial Database

The Company entered two of the above states for the first time in 2005. In July 2005 we announced our acquisition of Amegy Bancorporation, Inc., headquartered in Houston, Texas. Amegy was the third largest independent banking company in Texas, with approximately \$7.7 billion of total assets at the time of acquisition. This acquisition closed on December 3rd. Amegy will continue to operate under the Amegy name under its local management, and gives Zions a strong presence in the large and rapidly growing Texas market.

In December 2005 we opened The Commerce Bank of Oregon in Portland after acquiring the charter of a specialty credit card bank in liquidation. The Commerce Bank of Oregon is for all intents and purposes a *de novo* community bank, and will seek to utilize a strategy and banking model similar to that of our highly successful franchise in Seattle, The Commerce Bank of Washington.

Within each of the states that the Company operates, we focus on the market segments that we believe present the best opportunities for us. Currently, we believe that these states

have experienced higher rates of growth, business formation and expansion than other states. We also believe that these states have experienced higher rates of commercial real estate development as local businesses strive to provide housing, shopping, business facilities and other amenities for their growing populations. As a result, a common focus of all of Zions' subsidiary banks is small and middle market business banking (including the executives and employees of those businesses) and commercial real estate development. In many cases, the Company's relationship with its customers is primarily driven by the goal to satisfy their needs for credit to finance their expanding business opportunities. In addition to our commercial business, we also provide a broad base of consumer financial products in selected markets, including home mortgages, home equity lines, auto loans and credit cards. This mix of business often leads to loan balances growing faster than internally generated deposits. In addition, it has important implications for the Company's management of certain risks, including interest rate and liquidity risks, which are discussed further in later sections of this document.

Keep Decisions About Customers Local

The Company operates eight different community/regional banks, each under a different name, each with its own charter and each with its own chief executive officer and management team. This structure helps to assure that decisions related to customers are made at a local level. In addition, each bank controls, among other things, all decisions related to its branding, market strategies, customer relationships, product pricing and credit decisions (within the limits of established corporate policy). In this way we are able to differentiate our banks from much larger, “mass market” banking competitors that operate regional or national franchises under a common brand and often around “vertical” product silos. We believe that this approach allows us to attract and retain exceptional management, and that it also results in providing service of the highest quality to our targeted customers. In addition, we believe that over time this strategy generates superior growth in our banking businesses.

Centralize Technology and Operations to Achieve Economies of Scale

We seek to differentiate the Company from smaller banks in two ways. First, we use the combined scale of all of the banking operations to create a broad product offering without the fragmentation of systems and operations that would typically drive up costs. Second, for certain products for which economies of scale are believed to be important, the Company “manufactures” the product centrally, or out sources it from a third party. Examples include cash management, credit card administration, mortgage servicing and deposit operations. In this way the Company seeks to create and maintain efficiencies while generating superior growth.

Specialty Financial Services and Technology Businesses

In addition to its community and regional banking businesses, the Company operates a number of specialized businesses that in many cases are national in scope. These include a number of businesses in which the Company believes it ranks in the top ten institutions nationally such as SBA 7(a) loan originations, SBA 504 lending, public finance advisory and underwriting services, software and cash management services related to the electronic imaging of

checks pursuant to the “Check 21 Act,” and the origination of farm mortgages sold to Farmer Mac.

Late in 2005 we significantly scaled back our odd-lot electronic bond trading business. While trading volumes have remained strong, trading spreads in this business have been under increasing pressure for the last couple of years. This has significantly reduced profitability, and the business was no longer generating an adequate return on the capital needed to carry the trading assets. So, a decision was made to reduce significantly the size of the trading book, close our London trading office, and reduce other costs in an attempt to restore an adequate return on capital.

High growth market opportunities are not always geographically defined. The Company continues to invest in several expanded or new initiatives that we believe present unusual opportunities for us, including the following:

National Real Estate Lending

This business consists of making SBA 504 and similar low loan-to-value, primarily owner-occupied, first mortgage small business commercial loans. During 2005, the Company originated directly and purchased from correspondents approximately \$1,172 million of these loans and securitized \$707 million. A qualifying special-purpose entity (“QSPE”), Lockhart Funding, LLC (“Lockhart”), purchases these securities after credit enhancement, and funds them with commercial paper. We continue to invest in this business and believe that such investment will result in continued growth.

NetDeposit and Related Services

NetDeposit, Inc. (“NetDeposit”) is a subsidiary of Zions Bancorporation that was created to develop and sell software and processes that facilitate electronic check clearing. With the implementation of the Check 21 Act late in 2004, this company and its products are well positioned to take advantage of the revolution in check processing now underway in America. During 2005, NetDeposit created a drag on earnings of about \$.08 per share, compared to about \$.06 per share in 2004. However, revenues have been rising and we have continued to increase our investment in this business.

The Company generates revenues in several ways from this business. First, NetDeposit licenses software, sells consulting services and resells scanners to other banks and

processors; announced customers include ABN AMRO, Bank of America, Citigroup, 1st National Bank Holding Co., Fiserv and Harris Nesbitt. NetDeposit also has licensed its software to EDS, which either remarkets it to other financial institutions or uses it to process checks for other banks. These activities initially generate revenue from scanner sales, consulting and licensing fees. Deployment-related fees related to work station site licenses and check processing follow, but have been slower to increase than expected as deployment throughout the industry has been slower than expected.

Second, NetDeposit has licensed its software to the Company's banks, which use the capabilities of the software to provide state-of-the art cash management services to business customers. At year-end, over 2,900 Zions affiliate bank cash management customers were using NetDeposit, and we processed over \$3 billion of imaged checks from our cash management customers in the month of December.

Third, Zions Bank uses NetDeposit software to provide check-clearing services to correspondent banks. Zions Bank has contracts and co-marketing agreements with a number of bank processors and resellers, both domestically and abroad.

Wealth Management

We have extensive relationships with small and middle-market businesses and business owners that we believe present an unusual opportunity to offer wealth management services. As a result, the Company established a wealth management business, Contango Capital Advisors, Inc. ("Contango"), and launched the business in the latter half of 2004. The business offers financial and tax planning, trust and inheritance services, over-the-counter, exchange-traded and synthetic derivative and hedging strategies, quantitative asset allocation and risk management and a global array of investment strategies from equities and bonds through alternatives and private equity. At year-end Contango had over \$170 million of client assets under management, and a strong pipeline of referrals from our affiliate banks. During 2005, this business generated net losses of approximately \$.07 per share, up from approximately \$.04 per share in 2004. We

expect net losses in 2006 may approximate \$.06 to \$.08 per share. We anticipate that revenues from this business will continue to grow as client assets increase, and that losses may begin to narrow late in 2006.

Hispanic Business Banking

In last year's Management's Discussion and Analysis we discussed our attempts to initiate one or more ventures focused on Hispanic business banking. Unfortunately, despite investigating several alternatives, the Company has not found a suitable platform for this effort, and now anticipates that its efforts to better penetrate the Hispanic banking market may be executed within the existing franchise structure.

MANAGEMENT'S OVERVIEW OF 2005 PERFORMANCE

The Company's primary or "core" business consists of providing community and regional banking services to both individuals and businesses in ten Western states. We believe that this core banking business performed well during 2005 in a very difficult interest rate environment, as economic conditions in these markets continued to improve.

As previously discussed, on December 3, 2005 we completed our merger with Amegy Bancorporation, Inc. The merger was accounted for under the purchase method of accounting and accordingly, results of operations for 2005 only include the results of Amegy for the month of December. For informational and comparative purposes, certain schedules throughout this document have been expanded and explanations provided where the impact of the merger was considered to be significant.

The Company reported record earnings for 2005 of \$480.1 million or \$5.16 per diluted share. This compares with \$406.0 million or \$4.47 per diluted share for 2004 and \$337.8 million or \$3.72 per share for 2003. Return on average common equity was 15.86% and return on average assets was 1.43% in 2005, compared with 15.27% and 1.31% in 2004 and 13.69% and 1.20% in 2003.

The key drivers of the Company's performance during 2005 were as follows:

Schedule 2

KEY DRIVERS OF PERFORMANCE

2005 COMPARED TO 2004

Driver	2005	2004	Change
	<i>(in billions)</i>		
Average net loans and leases	\$ 24.0	21.0	14 %
Average total noninterest-bearing deposits	7.4	6.3	18 %
Average total deposits	24.9	22.1	13 %
	<i>(in millions)</i>		
Net interest income	\$ 1,361.4	1,160.8	17 %
Provision for loan losses	43.0	44.1	(2)%
Net interest margin	4.58%	4.27%	31 bp
Nonperforming assets as a percentage of net loans and leases and other real estate owned	0.30%	0.37%	(7)bp
Efficiency ratio	55.72%	57.22%	(150)bp

As illustrated by the previous schedule, the Company's earnings growth in 2005 compared to 2004 reflected the following:

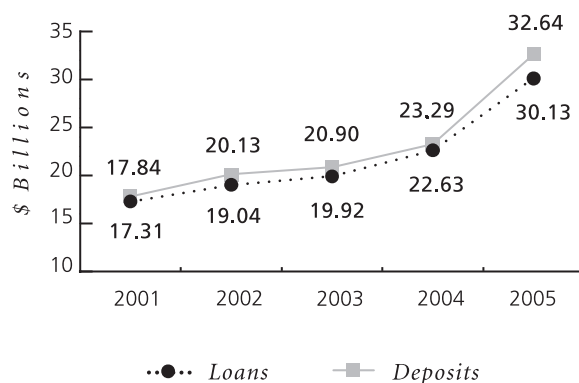
- Strong loan and deposit growth;
- A higher net interest margin in a difficult interest rate environment;
- A slightly reduced provision for loan losses attributable to a continued high level of credit quality;
- A lower ratio of expenses to revenue ("efficiency ratio").

We believe that the performance the Company experienced in 2005 was a direct result of our focusing on four primary objectives: 1) keep the banks growing, 2) maintain credit quality at high levels, 3) effectively manage interest rate risk, and 4) control expenses.

Keep the Banks Growing

Since 2001, the Company has experienced steady and strong loan and deposit growth augmented in 2005 by the Amegy acquisition. We consider this performance to be a direct result of steadily improving economic conditions throughout most of our geographical footprint, and of effectively executing our operating strategies. Chart 3 depicts this growth.

Chart 3. **OUTSTANDING LOANS AND DEPOSITS**
(at December 31)



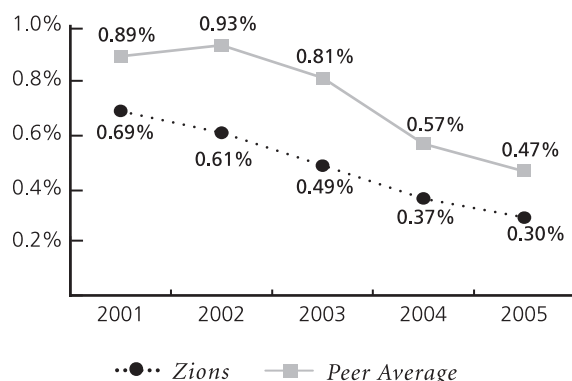
The Company experienced strong loan growth during 2005 in all of its markets including improved performance in Colorado. Excluding Amegy loans of \$5.4 billion at December 31, 2005, net loans and leases increased 9.3% during 2005 compared to growth of 13.6% during 2004. We continued to see good loan growth in Arizona and Nevada as the economies in those areas remained strong. Loan growth in Utah and California moderated slightly from the growth experienced during 2004, but was still very strong.

The Company's deposit growth in 2005 was also very strong. Excluding \$6.9 billion of Amegy deposits at December 31, 2005, the growth rate in deposits was 10.5% for the year compared to growth of 11.5% in 2004. We may not be able to sustain the level of growth in deposits the Company experienced in 2005 and 2004. A downward trend in deposit growth would require us to use alternative sources to meet our funding needs.

Maintain Credit Quality at High Levels

The ratio of nonperforming assets to net loans and other real estate owned was 0.30% at year-end, an improvement from 0.37% at the end of 2004. The level of charged-off loans also improved compared to 2004. This high level of credit quality resulted in a slightly lower provision for loan losses during 2005 even with the continued strong growth in outstanding loans. In addition, if the present economic conditions continue, we would expect to experience continued favorable credit quality.

Chart 4. NONPERFORMING ASSETS AS A PERCENTAGE OF NET LOANS AND OTHER REAL ESTATE OWNED
(at December 31)



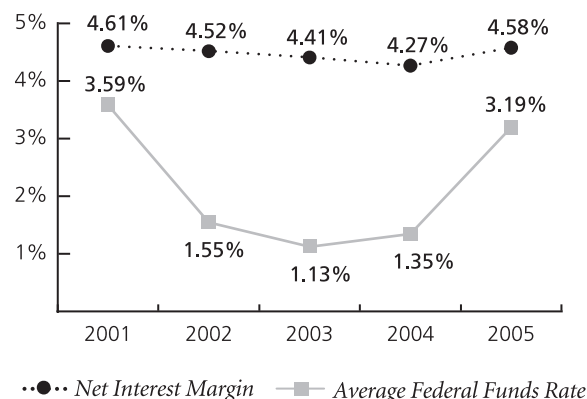
Note: Peer group is defined as bank holding companies with assets > \$10 billion.
Peer data source: SNL Financial Database
Peer information for 2005 is from 3rd quarter 2005.

Effectively Manage Interest Rate Risk

Our focus in managing interest rate risk is not to take positions based upon management's forecasts of interest rates, but rather to maintain a position of slight "asset-sensitivity." This means that our assets tend to reprice more quickly than our liabilities. This practice has enabled us to achieve a relatively stable net interest margin during periods of volatile interest rates, which is depicted in Chart 5.

Taxable-equivalent net interest income in 2005 increased 16.9% over 2004. Excluding \$25.9 million from Amegy, taxable-equivalent net interest income increased 14.8%. The net interest margin increased to 4.58% for 2005, up from 4.27% for 2004. An improved asset and liability mix and strong loan and noninterest-bearing deposit growth contributed to the improved margin and the increased net interest income.

Chart 5. NET INTEREST MARGIN

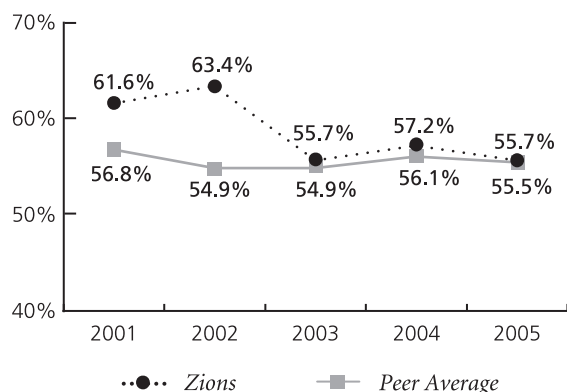


See the section "Interest Rate Risk" on page 69 for more information regarding the Company's asset-liability management ("ALM") philosophy and practice and our interest rate risk management.

Control Expenses

During 2005 the Company's efficiency ratio decreased to 55.7% compared to 57.2% for 2004. The efficiency ratio is the relationship between noninterest expense and total taxable-equivalent revenue. This decrease was accomplished by a continued focus on controlling costs and identifying opportunities for operating efficiencies and revenue enhancement. As depicted in Chart 6, the Company has improved its efficiency ratio to a level that is comparable to peer bank holding companies. Amegy has a higher efficiency ratio than most of the other subsidiary banks, and we expect the Company's efficiency ratio to increase during the first half of 2006 as expenses are incurred to integrate Amegy, and until efforts to improve their operating efficiency are realized.

Chart 6. **EFFICIENCY RATIOS**



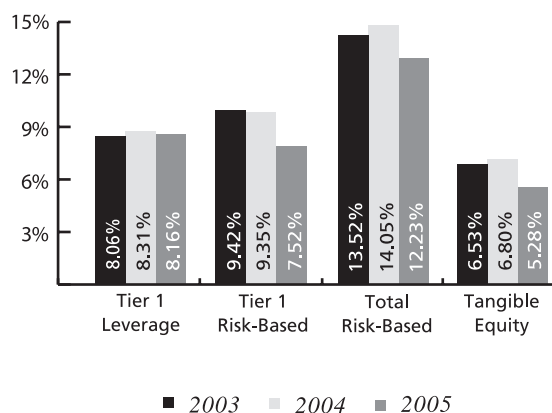
Note: Peer group is defined as bank holding companies with assets > \$10 billion.
 Peer data source: SNL Financial Database
 Peer information for 2005 is from 3rd quarter 2005.

Capital and Return on Capital

As regulated financial institutions, the Parent and its subsidiary banks are required to maintain adequate levels of capital as measured by several regulatory capital ratios. One of our goals is to maintain capital levels that are at least “well capitalized” under regulatory standards. The Company and each of its banking subsidiaries, with the exception of Amegy, met the “well capitalized” guidelines at December 31, 2005. In February 2006 the Company brought Amegy above the “well capitalized” level by structuring subordinated debt with the Parent. In addition, the Parent and certain of its banking subsidiaries have issued various debt securities that have been rated by the principal rating agencies. As a result, another goal is to maintain capital at levels consistent with an “investment grade” rating for these debt securities. The Parent and its banking subsidiaries have maintained their well capitalized status, with the temporary exception of Amegy, and

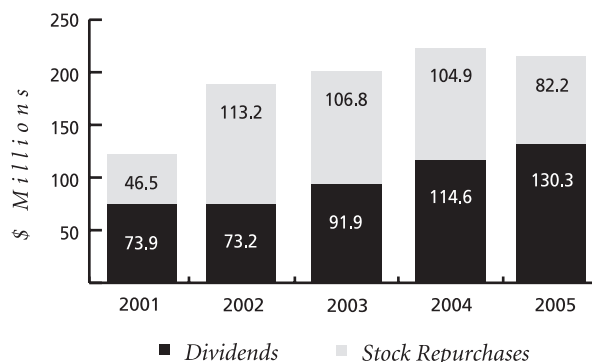
“investment grade” debt ratings. At year-end 2005 the Company’s tangible equity ratio decreased to 5.28% compared to 6.80% at the end of 2004. That decrease and the decreases in the risk-based capital ratios, as depicted in Chart 7, were mainly due to the acquisition of Amegy, including marking of its assets and liabilities to market value under purchase accounting, and the related financing. In July 2005 the Company announced that it was suspending the repurchase of shares of its common stock. It is anticipated that the common stock buyback program will resume once the Company achieves a tangible common equity ratio of 6.25%.

Chart 7. **CAPITAL RATIOS**



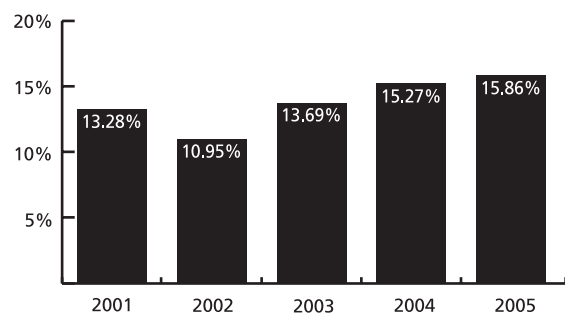
The Company believes that capital in excess of that required to support the risks of the business in which it engages should be returned to the shareholders. As illustrated in Chart 8, the Company has historically been returning increasing amounts of capital in the form of increased dividends and repurchases of its common stock, although the buy back program has been temporarily suspended as previously discussed.

Chart 8. **DIVIDENDS AND STOCK REPURCHASES**



In addition, we believe that the Company should engage in businesses that provide attractive returns on equity. Chart 9 illustrates that as a result of earnings improvement, the exit of underperforming businesses and returning unneeded capital to the shareholders, the Company's return on average common equity has improved in recent years. The return on average common equity for 2006 will decrease as a result of the Amegy acquisition.

Chart 9. **RETURN ON EQUITY**



Challenges to Operations

As detailed in Schedule 2 on page 25, several factors combined to improve the Company's performance in 2005 from 2004. The Company continued to experience both strong loan and deposit growth. The improving economic conditions that began in 2004 continued in all of our markets during the past

year. Credit quality remained exceptional during the year as nonperforming assets and net charge-off percentages remained at historically low levels. The Company was able to improve its net interest margin during a period when other financial institutions were experiencing significant margin compression due to the challenging interest rate environment.

As we enter 2006, we see several significant challenges to improving performance. One of the biggest challenges will be to successfully integrate the operations of Amegy. This includes systems conversion and operational issues. It also includes retaining key Amegy personnel with important customer relationship responsibilities and maintaining service levels that will satisfy the needs of Amegy customers. In addition, we need to realize the projected cost savings of \$45 million from the merger and take advantage of expected growth opportunities.

Over the last two years the Company has experienced historically high levels of credit quality. While we do not see any indications that loan quality will deteriorate significantly, it is unlikely we will be able to maintain credit quality at these levels for an extended period of time. The 2006 annual provision for loan losses may be greater than the provision required in 2005 as new loans added during prior periods of strong loan growth become more seasoned.

We anticipate that we may see increased pressure on the pricing of both loans and deposits as the economy continues to expand and competition for good business increases. Our banks have been able to increase deposit rates at a pace that has been generally slower than the increases in market rates over the last year. As competitive pressures increase, it is likely that deposit rates will need to be increased to retain and grow deposits. For more information on our asset-liability management processes, see "Interest Rate and Market Risk Management" on page 68.

While we anticipate that economic conditions will continue to be strong in our geographic footprint during 2006, any number of unforeseen events could result in a weaker economy that in turn could negatively impact loan growth and credit quality.

Excluding the impact from the Amegy acquisition, we expect to see moderate growth in both revenues and expenses during 2006, and believe that controlling operating expenses will continue to be an important factor in improving our overall performance. We will continue to see increased expense levels during 2006 for systems conversions at Amegy and CB&T as well as for compliance issues, particularly compliance with the requirements of the Sarbanes-Oxley Act, the USA Patriot Act and the Bank Secrecy Act. We are also investing in creating systems, data and processes that may enable us to qualify for the proposed Basel II capital requirements.

Compliance with regulatory requirements, particularly those mentioned above, pose an ongoing challenge. A failure in our internal controls could have a significant negative impact not only on our earnings but also on the perception that customers, regulators and investors may have of the Company. We continue to devote a significant amount of effort, time and resources to improving our controls and ensuring compliance with these complex regulations.

We have a number of business initiatives that, while we believe they will ultimately produce profits for our shareholders, currently generate expenses in excess of revenues. Two significant initiatives are Contango, a wealth management business started in 2004, and NetDeposit, a subsidiary that provides electronic check processing systems. We will need to manage these businesses carefully to insure that expenses and revenues develop in a planned way and that profits are not impaired to an extent that is not warranted by the opportunities these businesses provide.

Finally, competition from credit unions continues to pose a significant challenge. The aggressive expansion of some credit unions, far beyond the traditional concept of a common bond, presents a competitive threat to Zions and many other banking companies. While this is an issue in all of our markets, it is especially acute in Utah where two of the five largest financial institutions (measured by local deposits) are credit unions that are exempt from all state and federal income tax.

Strategic Decisions

In addition to the items discussed in the Executive Summary, during the last three years we made a number of other strategic decisions to help position the Company for improved performance in the future. These events are discussed below and also in subsequent sections of Management's Discussion and Analysis.

Odd-Lot Electronic Bond Trading

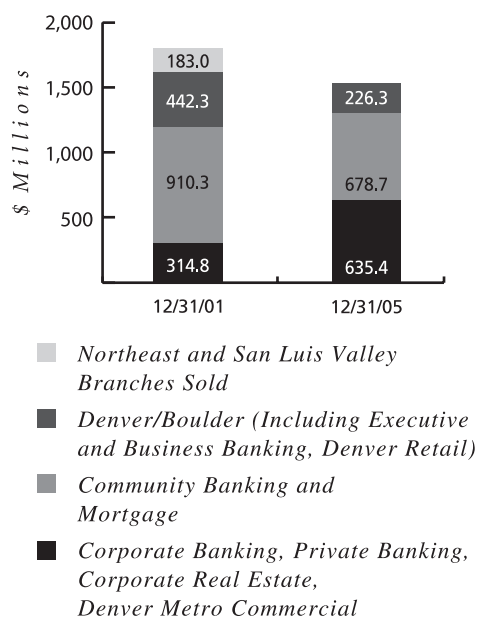
During the last quarter of 2005, the Company closed its London trading office and substantially reduced the size of its trading assets. This action was taken in response to continued narrow margins in the odd-lot electronic bond trading business. The Company incurred pretax restructuring charges of \$2.4 million and recognized an impairment loss on goodwill of \$0.6 million as a result of this action.

Vectra Bank Colorado

In 2003, we decided to restructure Vectra to enable it to focus its direction on small- and mid-sized businesses and their employees. This restructuring and an accompanying goodwill impairment analysis in accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, resulted in our writing off \$75.6 million of the goodwill that was recorded at Vectra in 2003.

In addition, Vectra took a number of other steps to improve its financial performance, including a decision to sell eleven branches in areas that no longer fit Vectra's new strategic direction. These branch sales all closed in 2004 and a gain of approximately \$0.7 million was recognized. While the associated revenues and expenses are no longer included in Vectra's financial statements, temporarily depressing Vectra's net growth, we believe that the restructuring was a positive step toward improving the future profitability of this subsidiary bank. These efforts and a strategic decision to focus more on commercial banking opportunities in Colorado have resulted in major changes in the composition of Vectra's loan portfolio, as illustrated by Chart 10. In addition, staffing has been reduced from 825 full-time equivalent employees to 621, a reduction of 24.7% from year-end 2003 to 2005. We expect to continue our efforts to refocus and improve Vectra's performance during 2006.

Chart 10. VECTRA GROSS LOANS



Equity Sales

In 2003, we sold the Company's investment in ICAP plc. Net proceeds from the sale were approximately \$106.8 million and the Company realized a pretax gain of approximately \$68.5 million in connection with the sale. In 2003, we also sold our investment in Lending Tree, Inc. for net proceeds of \$25.6 million, from which the Company realized a pretax gain of approximately \$21.1 million.

Also in 2003, we sold our investment in Lexign, Inc., which completed our previously announced plan to sell portions of the Company's e-commerce investments. The sale resulted in a pretax loss of \$2.4 million; this followed a pretax impairment charge against intangible assets in Lexign taken in 2002.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Notes to Consolidated Financial Statements contain a summary of the Company's significant accounting policies. We believe that an understanding of certain of these policies, along with the related estimates that we are required to make in recording the financial transactions of the Company, is important to have a complete picture of the Company's financial condition. In addition, in arriving at these estimates, we are required to make complex and subjective judgments, many of which include a high degree of uncertainty. The

following is a discussion of these critical accounting policies and significant estimates related to these policies. We have discussed each of these accounting policies and the related estimates with the Audit Committee of the Board of Directors.

Securitization Transactions

The Company periodically enters into securitization transactions that involve transfers of loans or other receivables to off-balance-sheet QSPEs. In most instances, we provide the servicing on these loans as a condition of the sale. In addition, as part of these transactions, the Company may retain a cash reserve account, an interest-only strip, or in some cases a subordinated tranche, all of which are considered to be retained interests in the securitized assets.

Whenever we initiate a securitization, the first determination that we must make in connection with the transaction is whether the transfer of the assets constitutes a sale under U.S. generally accepted accounting principles. If it does, the assets are removed from the Company's consolidated balance sheet with a gain or loss recognized. Otherwise, the transfer is considered a financing, resulting in no gain or loss being recognized and the recording of a liability on the Company's consolidated balance sheet. The financing treatment could have unfavorable financial implications including an adverse effect on Zions' results of operations and capital ratios. However, all of the Company's securitizations have been structured to meet the existing criteria for sale treatment.

Another determination that must be made is whether the special-purpose entity involved in the securitization is independent from the Company or whether it should be included in its consolidated financial statements. If the entity's activities meet certain criteria for it to be considered a QSPE, no consolidation is required. Since all of the Company's securitizations have been with entities that have met the requirements to be treated as QSPEs, they have met the existing accounting criteria for nonconsolidation.

Finally, we must make assumptions to determine the amount of gain or loss resulting from the securitization transaction as well as the subsequent carrying amount for the above-discussed retained interests. In determining the gain or loss, we use assumptions that are based on the facts

surrounding each securitization. Using alternatives to these assumptions could affect the amount of gain or loss recognized on the transaction and, in turn, the Company's results of operations. In valuing the retained interests, since quoted market prices of these interests are generally not available, we must estimate their value based on the present value of the future cash flows associated with the securitizations. These value estimations require the Company to make a number of assumptions including:

- the method to use in computing the prepayments of the securitized loans;
- the annualized prepayment speed of the securitized loans;
- the weighted average life of the loans in the securitization;
- the expected annual net credit loss rate; and
- the discount rate for the residual cash flows.

Schedule 3 summarizes the key economic assumptions that we used for measuring the values of the retained interests as of the date of the securitization for sales that took place during 2005, 2004 and 2003.

Schedule 3

KEY ECONOMIC ASSUMPTIONS USED TO VALUE RETAINED INTERESTS

	Home equity loans	Small business loans
2005:		
Prepayment method	na ¹	CPR ²
Annualized prepayment speed	na ¹	4 - 15 Ramp in 25 months ³
Weighted average life (in months)	12	69
Expected annual net loss rate	0.10%	0.40%
Residual cash flows discounted at	15.0%	15.0%
2004:		
Prepayment method	na ¹	CPR ²
Annualized prepayment speed	na ¹	10, 15 Ramp-up ⁴
Weighted average life (in months)	11	64
Expected annual net loss rate	0.10%	0.50%
Residual cash flows discounted at	15.0%	15.0%
2003:		
Prepayment method	na ¹	CPR ²
Annualized prepayment speed	na ¹	10, 15 Ramp-up ⁴
Weighted average life (in months)	12	62
Expected annual net loss rate	0.25%	0.50%
Residual cash flows discounted at	15.0%	15.0%

¹ The model for this securitization has been modified to respond to the current interest rate environment and the high volume of refinancings. The weighted average life assumption includes consideration of prepayment to determine the fair value of the capitalized residual cash flows.

² "Constant Prepayment Rate."

³ Annualized prepayment speed begins at 4% and increases at equal increments to 15% in 25 months.

⁴ Annualized prepayment speed is 10% in the first year and 15% thereafter.

Changes in certain 2005 assumptions from 2004 for small business loans were made to reflect actual historical experience.

Schedule 4 sets forth the sensitivity of the current fair value of the capitalized residual cash flows at December 31, 2005 to immediate 10% and 20% adverse changes to those key assumptions.

Schedule 4

SENSITIVITY OF RESIDUAL CASH FLOWS TO ADVERSE CHANGES

(In millions of dollars and annualized percentage rates)		Home equity loans	Small business loans
Carrying amount/fair value of capitalized residual cash flows		\$ 7.7	100.7
Weighted average life (in months)		12	34 - 67
Prepayment speed assumption		na ¹	15.0% - 24.0% ²
Decrease in fair value due to adverse change	-10%	\$ na ¹	2.9
	-20%	\$ na ¹	5.5
Expected credit losses		0.10%	0.40% - 0.60%
Decrease in fair value due to adverse change	-10%	\$ -	2.8
	-20%	\$ 0.1	5.6
Residual cash flows discount rate		15.0%	15.0%
Decrease in fair value due to adverse change	-10%	\$ 0.1	3.6
	-20%	\$ 0.2	6.9

¹ The model for this securitization has been modified to respond to the current interest rate environment and the high volume of refinancings. The weighted average life assumption includes consideration of prepayment to determine the fair value of the capitalized residual cash flows.

² The prepayment speed assumption for the 2005 small business loan securitization is 4 - 15 Ramp in 25 months.

The sensitivities in the previous schedule are hypothetical and should be viewed with caution. As the amounts indicate, changes in fair value based on variations in assumptions are not subject to simple extrapolation, as the relationship of the change in the assumption to the change in the fair value may not be linear. In addition, the effect of a variation in one assumption is in reality likely to cause changes in other assumptions, which could potentially magnify or counteract the sensitivities.

Allowance for Loan Losses

The allowance for loan losses represents our estimate of the losses that are inherent in the loan and lease portfolios. The determination of the appropriate level of the allowance is based on periodic evaluations of the portfolios along with other relevant factors. These evaluations are inherently subjective and require us to make numerous assumptions, estimates and judgments.

Because the Amegy merger closed near year-end, the methodology used by Amegy to estimate its allowance for loan losses at December 31, 2005 was not conformed to the process used by the other affiliate banks. However, the process used by Amegy is not significantly different than the process used by our other affiliate banks.

In analyzing the adequacy of the allowance for loan losses, we utilize a comprehensive loan grading system to determine the risk potential in the portfolio and also consider the results of independent internal credit reviews. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type. For commercial loans, we use historical loss experience factors by loan segment, adjusted for changes in trends and conditions, to help determine an indicated allowance for each segment. These factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific portfolio segment. The other considerations used in our analysis include volumes and trends of delinquencies and defaults, levels of nonaccrual loans, repossessions and bankruptcies, trends in criticized and classified loans and expected losses on loans secured by real estate. In addition, new products and policies, current economic conditions and trends, concentrations of credit risk, and the experience and abilities of lending personnel are also taken into consideration.

In addition to the segment evaluations, loans graded substandard or doubtful with an outstanding balance of \$500 thousand or more are individually evaluated based on facts and circumstances of the loan to determine if specific allowances may be necessary. A specific allowance is established for a loan when it is determined that the risk associated with the loan differs significantly from the risk factor amounts established for its loan segment. Specific reserves can also be established for loans that the Company

has identified as being impaired in accordance with SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*.

For consumer loans, we use a forecasting model based on internally generated portfolio delinquencies that employs "roll rates" to calculate losses. "Roll rates" are the rates at which accounts migrate from one delinquency level to the next higher level. Using average roll rates for the most recent twelve-month period and comparing projected losses to actual loss experience, the model estimates the expected losses in dollars for the forecasted period. By refreshing it with updated data, the model is able to project losses for a new twelve-month period each month, segmenting the portfolio into nine product groupings with similar risk profiles.

As a final step to the evaluation process, we perform an additional review of the adequacy of the allowance based on the loan portfolio in its entirety. This enables us to mitigate the imprecision inherent in most estimates of expected credit losses. This review of the allowance includes our judgmental consideration of any adjustments necessary for subjective factors such as economic uncertainties and excessive concentration risks.

There are numerous components that enter into the evaluation of the allowance for loan losses. Some are quantitative while others require us to make qualitative judgments. Although we believe that our processes for determining an appropriate level for the allowance adequately address all of the components that could potentially result in credit losses, the processes and their elements include features that may be susceptible to significant change. Any unfavorable differences between the actual outcome of credit-related events and our estimates and projections could require an additional provision for credit losses, which would negatively impact the Company's results of operations in future periods. As an example, if \$250 million of nonclassified loans were to be immediately classified as special mention, substandard and doubtful in the same proportion as the existing portfolio, the amount of the allowance for loan losses at December 31, 2005 would increase by approximately \$17 million. In addition, since the allowance for loan losses is assigned to the Company's business segments that have loan portfolios, any earnings impact resulting from actual results differing from our estimates would have the largest impact on those segments with the largest loan portfolios, namely Zions Bank,

CB&T and Amegy. This sensitivity analysis is hypothetical and has been provided only to indicate the potential impact that changes in the level of the criticized and classified loans may have on the allowance estimation process. We believe that given the procedures that we follow in determining the potential losses in the loan portfolio, the various components used in the current estimation processes are appropriate.

We are in the process of evaluating potential changes to our methodology for determining the allowance for loan losses. The potential changes include incorporating a two-factor grading system to include probability of default and loss given default, including updated reserve factors.

Nonmarketable Equity Securities

The Company either directly, through its banking subsidiaries or through its Small Business Investment Companies ("SBIC"), owns investments in venture and other capital securities that are not publicly traded and are not accounted for using the equity method. Since these nonmarketable securities have no readily ascertainable fair values, they are reported at amounts that we have estimated to be their fair values. In estimating the fair value of each investment, we must apply judgment using certain assumptions. Initially, we believe that an investment's cost is the best indication of its fair value, provided that there have been no significant positive or negative developments subsequent to its acquisition that indicate the necessity of an adjustment to a fair value estimate. If and when such an event takes place, we adjust the investment's cost by an amount that we believe reflects the nature of the event. In addition, any minority interests in the Company's SBICs reduce its share of any gains or losses incurred on these investments.

As of December 31, 2005, the Company's total investment in nonmarketable equity securities not accounted for using the equity method was \$93.7 million, of which its equity exposure to investments held by the SBICs, net of related minority interest of \$26.6 million and Small Business Administration debt of \$7.0 million, was \$40.9 million. In addition, exposure to non-SBIC equity investments not accounted for by the equity method was \$19.2 million.

The values that we have assigned to these securities where no market quotations exist are based upon available

information and may not necessarily represent amounts that ultimately will be realized on these securities. Although we believe that our estimates reasonably reflect the fair value of these securities, key assumptions regarding the projected financial performance of these companies, the evaluation of the investee company's management team, and other industry, economic and market factors may not necessarily be reflective of those assumptions if an active market existed for these investments. If there had been an active market for these securities, the carrying value may have been significantly different from the amounts reported. In addition, since Zions Bank is the principal business segment holding these investments, it would experience the largest impact of any changes in the fair values of these securities.

Accounting for Goodwill

Goodwill arises from business acquisitions and represents the value attributable to the unidentifiable intangible elements in our acquired businesses. Goodwill is initially recorded at fair value and is subsequently evaluated at least annually for impairment in accordance with SFAS No. 142. The Company performs this annual test as of October 1 of each year. Evaluations are also performed on a more frequent basis if events or circumstances indicate an impairment could have taken place. Such events could include, among others, a significant adverse change in the business climate, an adverse action by a regulator, an unanticipated change in the competitive environment and a decision to change the operations or dispose of a reporting unit.

The first step in this evaluation process is to determine if a potential impairment exists in any of the Company's reporting units and, if required from the results of this step, a second step measures the amount of any impairment loss. The computations required by steps 1 and 2 call for us to make a number of estimates and assumptions. In completing step 1, we determine the fair value of the reporting unit that is being evaluated. In determining the fair value, we generally calculate value using a combination of up to three separate methods: comparable publicly traded financial service companies in the Western states; comparable acquisitions of financial services companies in the Western states; and, the discounted present value of management's estimates of future

cash or income flows. Critical assumptions that are used as part of these calculations include:

- selection of comparable publicly traded companies, based on location, size and business composition;
- selection of comparable acquisition transactions, based on location, size, business composition and date of the transaction;
- the discount rate applied to future earnings, based on an estimate of the cost of capital;
- the potential future earnings of the reporting unit;
- the relative weight given to the valuations derived by the three methods described.

If step 1 indicates a potential impairment of a reporting unit, step 2 requires us to estimate the “implied fair value” of the reporting unit. This process estimates the fair value of the unit’s individual assets and liabilities in the same manner as if a purchase of the reporting unit were taking place. To do this we must determine the fair value of the assets, liabilities and identifiable intangible assets of the reporting unit based upon the best available information. If the value of goodwill calculated in step 2 is less than the carrying amount of goodwill for the reporting unit, an impairment is indicated and the carrying value of goodwill is written down to the calculated value.

Since estimates are an integral part of the impairment computations, changes in these estimates could have a significant impact on any calculated impairment amount. Factors that may significantly affect the estimates include, among others, competitive forces, customer behaviors and attrition, changes in revenue growth trends, cost structures and technology, changes in discount rates, changes in stock and mergers and acquisitions market values and changes in industry or market sector conditions.

During the third quarter of 2004, we made the decision to reorganize the operations at Zions Bank International Ltd. (“ZBI”). The decision was a result of disappointing performance at ZBI and resulted in discontinuing ZBI’s Euro-denominated bond trading operations and downsizing the U.S. dollar-denominated bond trading operations. As a result of this reorganization, we performed an evaluation of the \$1.2 million of goodwill associated with ZBI in accordance with the requirements of SFAS 142. To calculate the fair value of ZBI, we identified the net operating income from its reorganized activities and projected this income stream into

the future. We then computed the present value of this income stream using Zions’ minimum required rate of return on investments. Our computations determined that there was a potential impairment associated with this goodwill. After performing step 2 of the impairment evaluation process, we determined that an impairment in the amount of \$0.6 million was indicated, which was recorded in the third quarter of 2004. During the fourth quarter of 2005 the London office of ZBI was closed and the remaining \$0.6 million of goodwill was considered to be impaired and recorded as an impairment loss.

During the fourth quarter of 2005, we performed our annual goodwill impairment evaluation for the entire organization, effective October 1, 2005. Step 1 was performed by using both market value and transaction value approaches for all reporting units and, in certain cases, the discounted cash flow approach was also used. In the market value approach, we identified a group of publicly traded banks that are similar in size and location to Zions’ subsidiary banks and then used valuation multiples developed from the group to apply to our subsidiary banks. In the transaction value approach, we reviewed the purchase price paid in recent mergers and acquisitions of banks similar in size to Zions’ subsidiary banks. From these purchase prices we developed a set of valuation multiples, which we applied to our subsidiary banks. In instances where the discounted cash flow approach was used, we discounted projected cash flows to their present value to arrive at our estimate of fair value.

Upon completion of step 1 of the evaluation process, we concluded that no potential impairment existed for any of the Company’s reporting units. In reaching this conclusion, we determined that the fair values of goodwill exceeded the recorded values of goodwill. Since this evaluation process required us to make estimates and assumptions with regard to the fair value of the Company’s reporting units, actual values may differ significantly from these estimates. Such differences could result in future impairment of goodwill that would, in turn, negatively impact the Company’s results of operations and the business segments where the goodwill is recorded. However, had our estimated fair values been 10% lower, there would still have been no indication of impairment for any of our reporting units.

In December of 2005 the Company completed its merger with Amegy which resulted in an increase in goodwill of

approximately \$1.2 billion. The goodwill was assigned to the Amegy business segment and will be evaluated for impairment as part of the Company's 2006 annual goodwill impairment evaluation.

Accounting for Derivatives

Our interest rate risk management strategy involves hedging the repricing characteristics of certain assets and liabilities so as to mitigate adverse effects on the Company's net interest margin and cash flows from changes in interest rates. While we do not participate in speculative derivatives trading, we consider it prudent to use certain derivative instruments to add stability to the Company's interest income and expense, to modify the duration of specific assets and liabilities, and to manage the Company's exposure to interest rate movements. In addition, beginning in the first half of 2004, the Company initiated a program to provide derivative financial instruments to certain customers, acting as an intermediary in the transaction. Upon issuance, all of these customer derivatives are immediately "hedged" by offsetting derivative contracts, such that the Company has no net interest rate risk exposure resulting from the transaction.

All derivative instruments are carried on the balance sheet at fair value. As of December 31, 2005, the recorded amounts of derivative assets, classified in other assets, and derivative liabilities, classified in other liabilities, were \$53.1 million and \$78.0 million, respectively. Since there are no market value quotes for the specific derivative instruments that the Company holds, we must estimate their fair values. Generally this estimate is made by an independent third party using a standardized methodology that nets the discounted expected future cash receipts and cash payments (based on observable market inputs). These future net cash flows, however, are susceptible to change due primarily to fluctuations in interest rates. As a result, the estimated values of these derivatives will typically change over time as cash is received and paid and also as market conditions change. As these changes take place, they may have a positive or negative impact on our estimated valuations. However, based on the nature and limited purposes of the derivatives that the Company employs, fluctuations in interest rates have only a modest effect on its results of operations.

In addition to making the valuation estimates, we also face the risk that certain derivative instruments that have been designated as hedges and currently meet the strict hedge accounting requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, may not qualify in the future as "highly effective," as defined by the Statement, as well as the risk that hedged transactions in cash flow hedging relationships may no longer be considered probable to occur. During 2005, cash flow hedge accounting for two derivative contracts was discontinued because it was probable that the original forecasted transactions would not occur as originally expected. Accordingly, these two contracts were terminated and losses of \$0.9 million were immediately reclassified from accumulated other comprehensive income and recognized in market making, trading and nonhedge derivative income. Further, new interpretations and guidance related to SFAS 133 continue to be issued and we cannot predict the possible impact that they will have on our use of derivative instruments in the future.

Although the majority of the Company's hedging relationships have been designated as cash flow hedges, for which hedge effectiveness is assessed and measured using a "long haul" approach, the Company also had five fair value hedging relationships outstanding as of December 31, 2005 that were designated using the "shortcut" method, as described in SFAS 133, paragraph 68. The Company believes that the shortcut method continues to be appropriate for those hedges because we have precisely complied with the documentation requirements and each of the applicable shortcut criteria described in paragraph 68.

Pension Accounting

As explained in detail in Note 21 of the Notes to Consolidated Financial Statements, we have a noncontributory defined benefit pension plan that is available to employees who have met specific eligibility requirements. Also as explained in the Note, as of January 1, 2003, no new employees are eligible to participate in the plan and future benefit accruals were eliminated for most participants.

In accounting for the plan, we must determine the obligation associated with the plan benefits and compare that with the assets that the plan owns. This requires us to

incorporate numerous assumptions, including the expected rate of return on plan assets, the projected rate of increase of the salaries of the eligible employees and the discount rates to use in estimating the fair value of the net periodic benefit cost. The expected rate of return on plan assets is intended to approximate the long-term rate of return that we anticipate receiving on the plan's investments, considering the mix of the assets that the plan holds as investments, the expected return of those underlying investments, the diversification of those investments and the re-balancing strategy employed. The projected rates of salary increases is management's estimate of future pay increases that the remaining eligible employees will receive until their retirement. The discount rate reflects the yields available on long-term, high-quality fixed-income debt instruments with cash flows similar to the obligations of the plan, reset annually on the measurement date, which is December 31 of each year.

The annual pension expense is sensitive to the expected rate of return on plan assets. For example, for the year 2005 the expected rate of return on plan assets was 8.60%. For each 25 basis point change in this rate, the Company's pension expense would change by approximately \$300 thousand. In applying the expected rate of return on plan assets to our pension accounting, we base our calculations on the fair value of plan assets, using an arithmetic method to calculate the expected return on the plan assets.

The annual pension expense is also sensitive to the discount rate employed. For example, the discount rate used in the 2005 pension expense calculation was 5.75%. If this rate were 25 basis points lower, the pension expense would increase by approximately \$320 thousand. If the rate were 25 basis points higher, the pension expense would decrease by approximately \$320 thousand.

In estimating the annual pension expense associated with the defined benefit plan, we must make a number of assumptions and estimates based upon our judgment and also on information that we receive from an independent actuary. These assumptions and estimates are closely monitored and are reviewed at least annually for any adjustments that may be required. Under U.S. generally accepted accounting principles, any differences that arise between these estimates and actual experience are amortized on the minimum basis as prescribed by SFAS No. 87, *Employer's Accounting for Pensions*. We expect that the balance of unrecognized net

actuarial losses as of December 31, 2005 will decrease over time, through a combination of gradual recognition through required amortization and future actuarial gains as discount rates return to higher levels and the long-term rate of return on pension assets is realized over time.

In addition, we assumed obligations of a defined benefit plan when we acquired Amegy. That plan resulted from a previous acquisition by Amegy. The plan is also frozen and we are in the process of terminating it. The planned termination was considered in remeasuring the acquired plan projected benefit obligation at the date of the Amegy acquisition. The acquired plan projected benefit obligation exceeded the fair value of the plan assets by \$2.1 million and was recorded as part of the purchase price allocation.

Share-Based Compensation

As discussed in Note 18 of the Notes to Consolidated Financial Statements, in December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment*, which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. The statement is effective for public companies for interim or annual periods beginning after June 15, 2005. In April 2005, the Securities and Exchange Commission announced that it was amending Regulation S-X to provide up to a six-month delay for the adoption of SFAS 123R, or January 1, 2006 for calendar year public companies. The Company will adopt SFAS 123R beginning January 1, 2006 using the "modified prospective" method. Under this method, compensation cost is recognized beginning with the effective date based on the requirements of SFAS 123R for all share-based payments granted after the effective date, and based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain nonvested on the effective date.

SFAS 123R utilizes a "modified grant-date" approach in which the fair value of an equity award is estimated on the grant date without regard to service or performance vesting conditions. Generally, this approach is similar to that of SFAS 123. However, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of income for all awards that vest based on their fair values. While under existing guidance we have elected not to expense share-based compensation, we

have disclosed in Note 1 of the Notes to Consolidated Financial Statements the pro forma effect on net income as if our share-based compensation had been expensed.

The Company uses the Black-Scholes option-pricing model to estimate the value of stock options and the pro forma expense for share-based compensation. The more significant assumptions used to apply this model include a weighted average risk-free interest rate, a weighted average expected life, an expected dividend yield, and an expected volatility. Use of these assumptions is subjective and requires judgment.

RESULTS OF OPERATIONS

Net Interest Income, Margin and Interest Rate Spreads

Net interest income is the difference between interest earned on assets and interest incurred on liabilities. On a taxable-equivalent basis, net interest income for 2005 was up \$200.3 million or 16.9% from 2004, which was up \$74.3 million or 6.7% from 2003. The increase for 2005 includes \$25.9 million of taxable-equivalent net interest income earned by Amegy in December 2005. The increase in taxable-equivalent net interest income for 2005 was driven by an improved asset and liability mix and by the impact of increasing short-term interest rates on Zions' asset-sensitive balance sheet, which resulted in a 31 basis point increase in the net interest margin compared to 2004. The net interest margin for 2004 was down 14 basis points from 2003. The incremental tax rate used for calculating all taxable-equivalent adjustments was 35% for all years discussed and presented.

Taxable-equivalent net interest income is the largest component of Zions' revenue. For the year 2005, it was 75.9% of our taxable-equivalent revenues, compared to 73.3% for 2004 and 68.9% in 2003. The lower percentage in 2003 was primarily caused by the previously discussed gain on the sale of ICAP plc, which increased noninterest income disproportionately in relation to total taxable-equivalent revenues. By its nature, net interest income is especially

vulnerable to changes in the mix and amounts of interest-earning assets and interest-bearing liabilities. In addition, changes in the interest rates and yields associated with these assets and liabilities significantly impact net interest income. See "Interest Rate and Market Risk Management" on page 68 for a complete discussion of how we manage the portfolios of interest-earning assets and interest-bearing liabilities.

A gauge that we consistently use to measure the Company's success in managing its interest-earning assets and interest-bearing liabilities is the level and stability of the net interest margin. The net interest margin was 4.58% in 2005 compared with 4.27% in 2004 and 4.41% in 2003. The increased margin for 2005 results mainly from an improved asset and liability mix and from the impact of increasing short-term interest rates on Zions' asset-sensitive balance sheet. Higher yielding average loans and leases increased \$3.0 billion from 2004 while lower yielding average money market investments and securities decreased \$0.5 billion. The net increase in interest-earnings assets was mainly funded by increases in lower cost average interest-bearing deposits which increased \$1.6 billion and average noninterest-bearing deposits which increased \$1.1 billion, while average borrowed funds decreased \$0.5 billion from 2004. In the fourth quarter of 2005, the Company experienced a net interest margin of 4.62%.

The lower margin for 2004 reflected the effects of the low interest rate environment that challenged many financial institutions. The loan portfolio experienced the largest rate decline in 2004, dropping 24 basis points, as higher rate fixed-interest loans were replaced by new lower-yielding loans. In addition, the average rate paid on borrowed funds increased 22 basis points primarily as a result of increased long-term debt. This increase was partially offset by a decline in the average rate paid on deposits.

Schedule 5 summarizes the average balances, the amount of interest earned or incurred and the applicable yields for interest-earning assets and the costs of interest-bearing liabilities that generate taxable-equivalent net interest income.

Schedule 5

DISTRIBUTION OF ASSETS, LIABILITIES, AND SHAREHOLDERS' EQUITY

AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Amounts in millions)	2005			2004		
	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
ASSETS:						
Money market investments	\$ 988	31.7	3.21%	\$ 1,463	16.4	1.12%
Securities:						
Held to maturity	639	44.2	6.93	500	34.3	6.86
Available for sale	4,021	207.7	5.16	3,968	174.5	4.40
Trading account	497	19.9	4.00	732	29.6	4.04
Total securities	5,157	271.8	5.27	5,200	238.4	4.59
Loans:						
Loans held for sale	205	9.8	4.80	159	5.1	3.16
Net loans and leases ²	23,804	1,618.0	6.80	20,887	1,252.8	6.00
Total loans and leases	24,009	1,627.8	6.78	21,046	1,257.9	5.98
Total interest-earning assets	30,154	1,931.3	6.40	27,709	1,512.7	5.46
Cash and due from banks	1,123			1,026		
Allowance for loan losses	(285)			(272)		
Goodwill	746			648		
Core deposit and other intangibles	66			65		
Other assets	1,799			1,760		
Total assets	\$ 33,603			\$ 30,936		
LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW	\$ 4,347	36.7	0.84	\$ 4,245	24.4	0.58
Money market	9,131	183.9	2.01	8,572	96.8	1.13
Time under \$100,000	1,523	41.7	2.74	1,436	27.5	1.92
Time \$100,000 and over	1,713	54.7	3.19	1,244	29.2	2.35
Foreign	737	23.3	3.16	338	4.4	1.30
Total interest-bearing deposits	17,451	340.3	1.95	15,835	182.3	1.15
Borrowed funds:						
Securities sold, not yet purchased	475	17.7	3.72	625	24.2	3.86
Federal funds purchased and security repurchase agreements	2,307	63.6	2.76	2,682	32.2	1.20
Commercial paper	149	5.0	3.36	201	3.0	1.51
FHLB advances and other borrowings:						
One year or less	204	5.9	2.90	252	2.9	1.14
Over one year	228	11.5	5.05	230	11.7	5.08
Long-term debt	1,786	104.9	5.88	1,659	74.3	4.48
Total borrowed funds	5,149	208.6	4.05	5,649	148.3	2.62
Total interest-bearing liabilities	22,600	548.9	2.43	21,484	330.6	1.54
Noninterest-bearing deposits	7,417			6,269		
Other liabilities	533			501		
Total liabilities	30,550			28,254		
Minority interest	26			23		
Total shareholders' equity	3,027			2,659		
Total liabilities and shareholders' equity	\$ 33,603			\$ 30,936		
Spread on average interest-bearing funds			3.97%			3.92%
Taxable-equivalent net interest income and net yield on interest-earning assets		1,382.4	4.58%		1,182.1	4.27%

¹ Taxable-equivalent rates used where applicable.

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

2003			2002			2001		
Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
\$ 1,343	13.0	0.97%	\$ 1,199	18.6	1.55%	\$ 924	34.9	3.78%
-	-		43	2.3	5.34	56	3.4	5.98
3,736	171.5	4.59	3,209	170.0	5.30	3,269	207.2	6.34
711	24.7	3.47	611	22.1	3.62	647	30.9	4.78
<u>4,447</u>	<u>196.2</u>	4.41	<u>3,863</u>	<u>194.4</u>	5.03	<u>3,972</u>	<u>241.5</u>	6.08
220	8.3	3.77	210	9.4	4.50	220	13.1	5.94
19,105	1,194.2	6.25	17,904	1,245.4	6.96	15,795	1,315.7	8.33
<u>19,325</u>	<u>1,202.5</u>	6.22	<u>18,114</u>	<u>1,254.8</u>	6.93	<u>16,015</u>	<u>1,328.8</u>	8.30
25,115	<u>1,411.7</u>	5.62	23,176	<u>1,467.8</u>	6.33	20,911	<u>1,605.2</u>	7.68
953			939			821		
(282)			(267)			(229)		
711			744			703		
77			98			101		
1,630			1,606			1,513		
<u>\$ 28,204</u>			<u>\$ 26,296</u>			<u>\$ 23,820</u>		
\$ 3,810	23.4	0.62	\$ 3,308	34.6	1.05	\$ 2,705	44.6	1.65
8,064	88.2	1.09	7,268	130.0	1.79	6,394	207.0	3.24
1,644	36.9	2.25	1,911	62.1	3.25	1,984	98.2	4.95
1,290	33.3	2.58	1,487	50.5	3.40	1,658	86.5	5.22
186	1.7	0.89	106	1.5	1.42	106	3.0	2.79
<u>14,994</u>	<u>183.5</u>	1.22	<u>14,080</u>	<u>278.7</u>	1.98	<u>12,847</u>	<u>439.3</u>	3.42
538	20.4	3.80	394	16.4	4.17	340	17.0	5.01
2,605	25.5	0.98	2,528	39.1	1.55	2,668	95.9	3.59
215	3.0	1.41	359	7.5	2.09	336	14.5	4.30
145	1.9	1.32	533	10.3	1.93	404	21.7	5.37
237	12.3	5.19	240	12.4	5.18	203	11.1	5.44
1,277	57.3	4.48	874	56.3	6.45	569	42.7	7.51
<u>5,017</u>	<u>120.4</u>	2.40	<u>4,928</u>	<u>142.0</u>	2.88	<u>4,520</u>	<u>202.9</u>	4.49
20,011	<u>303.9</u>	1.52	19,008	<u>420.7</u>	2.21	17,367	<u>642.2</u>	3.70
5,259			4,522			3,907		
444			404			385		
<u>25,714</u>			<u>23,934</u>			<u>21,659</u>		
22			21			30		
2,468			2,341			2,131		
<u>\$ 28,204</u>			<u>\$ 26,296</u>			<u>\$ 23,820</u>		
		<u>4.10%</u>			<u>4.12%</u>			<u>3.98%</u>
	<u>1,107.8</u>	<u>4.41%</u>		<u>1,047.1</u>	<u>4.52%</u>		<u>963.0</u>	<u>4.61%</u>

Schedule 6 analyzes the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years indicated. For purposes of calculating the yields in these schedules, the average loan balances also include the principal amounts of nonaccrual and restructured loans. However,

interest received on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. In addition, interest on restructured loans is generally accrued at reduced rates.

Schedule 6

ANALYSIS OF INTEREST CHANGES DUE TO VOLUME AND RATE

(In millions)	2005 over 2004			2004 over 2003		
	Changes due to		Total changes	Changes due to		Total changes
	Volume	Rate ¹		Volume	Rate ¹	
INTEREST-EARNING ASSETS:						
Money market investments	\$ (5.3)	20.6	15.3	1.3	2.1	3.4
Securities:						
Held to maturity	9.6	0.3	9.9	34.3	-	34.3
Available for sale	2.5	30.7	33.2	10.1	(7.1)	3.0
Trading account	(9.4)	(0.3)	(9.7)	0.7	4.2	4.9
Total securities	2.7	30.7	33.4	45.1	(2.9)	42.2
Loans:						
Loans held for sale	1.6	3.1	4.7	(1.9)	(1.3)	(3.2)
Net loans and leases ²	186.8	178.4	365.2	106.5	(47.9)	58.6
Total loans and leases	188.4	181.5	369.9	104.6	(49.2)	55.4
Total interest-earning assets	\$ 185.8	232.8	418.6	151.0	(50.0)	101.0
INTEREST-BEARING LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW	\$ 0.8	11.5	12.3	2.3	(1.3)	1.0
Money market	6.8	80.3	87.1	5.5	3.1	8.6
Time under \$100,000	1.8	12.4	14.2	(4.0)	(5.4)	(9.4)
Time \$100,000 and over	13.1	12.4	25.5	(1.1)	(3.0)	(4.1)
Foreign	8.6	10.3	18.9	1.7	1.0	2.7
Total interest-bearing deposits	31.1	126.9	158.0	4.4	(5.6)	(1.2)
Borrowed funds:						
Securities sold, not yet purchased	(5.6)	(0.9)	(6.5)	3.4	0.4	3.8
Federal funds purchased and security repurchase agreements	(4.5)	35.9	31.4	0.8	5.9	6.7
Commercial paper	(0.8)	2.8	2.0	(0.2)	0.2	-
FHLB advances and other borrowings:						
One year or less	(0.5)	3.5	3.0	1.2	(0.2)	1.0
Over one year	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	(0.6)
Long-term debt	6.0	24.6	30.6	17.1	(0.1)	17.0
Total borrowed funds	(5.5)	65.8	60.3	22.0	5.9	27.9
Total interest-bearing liabilities	\$ 25.6	192.7	218.3	26.4	0.3	26.7
Change in taxable-equivalent net interest income	\$ 160.2	40.1	200.3	124.6	(50.3)	74.3

¹ Taxable-equivalent income used where applicable.

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

In the analysis of interest changes due to volume and rate, changes due to the volume/rate variance are allocated to volume with the following exceptions: when volume and rate both increase, the variance is allocated proportionately to both volume and rate; when the rate increases and volume decreases, the variance is allocated to the rate.

Provisions for Credit Losses

The provision for loan losses is the amount of expense that, based on our judgment, is required to maintain the allowance for loan losses at an adequate level. The provision for unfunded lending commitments is used to maintain the allowance for unfunded lending commitments at an adequate level. In determining adequate levels of the allowances, we perform periodic evaluations of the Company's various portfolios, the levels of actual loan losses and statistical trends and other economic factors. See "Credit Risk Management" on page 62 for more information on how we determine the appropriate level for the allowances for loan and lease losses and unfunded lending commitments.

For the year 2005, the provision for loan losses was \$43.0 million, compared to \$44.1 million for 2004 and \$69.9 million for 2003. The lower provisions for both 2005 and 2004 reflects improvements in various factors used in determining the appropriate level of the allowance for loan losses, including decreased levels of nonperforming loans and leases. Including the provision for unfunded lending commitments, the total

provision for credit losses was \$46.4 million for 2005 and \$44.5 million for 2004. For 2003, the provision for unfunded lending commitments was included in the provision for loan losses. From period to period, the amounts of unfunded lending commitments may be subject to sizeable fluctuation due to changes in the timing and volume of loan originations and fundings. The related provision will generally reflect these fluctuations.

Noninterest Income

Noninterest income represents revenues that the Company earns for products and services that have no interest rate or yield associated with them. Noninterest income for 2005 comprised 24.1% of taxable-equivalent revenues compared to 26.7% for 2004 and 31.1% in 2003. Schedule 7 presents a comparison of the major components of noninterest income for the past three years. The schedule also presents noninterest income of Amegy for the month of December, included in the 2005 totals.

Schedule 7

NONINTEREST INCOME

<i>(Amounts in millions)</i>	Zions without Amegy	Amegy	Total 2005	Percent change	2004	Percent change	2003
Service charges and fees on deposit accounts	\$ 125.3	3.5	128.8	(2.2)%	\$ 131.7	1.5 %	\$ 129.8
Loan sales and servicing income	77.8	-	77.8	(1.6)	79.1	(11.4)	89.3
Other service charges, commissions and fees	113.4	3.7	117.1	12.0	104.6	9.8	95.3
Trust and investment management income	15.8	0.2	16.0	(5.9)	17.0	(19.4)	21.1
Income from securities conduit	35.0	-	35.0	(0.6)	35.2	19.7	29.4
Dividends and other investment income	28.9	1.1	30.0	(5.7)	31.8	11.6	28.5
Market making, trading and nonhedge derivative income	15.1	0.6	15.7	(10.3)	17.5	(40.5)	29.4
Equity securities gains (losses), net	(1.3)	-	(1.3)	86.7	(9.8)	(115.4)	63.8
Fixed income securities gains, net	1.0	(0.2)	0.8	(68.0)	2.5	-	-
Other	18.8	0.1	18.9	(13.7)	21.9	55.3	14.1
Total	\$ 429.8	9.0	438.8	1.7 %	\$ 431.5	(13.8)%	\$ 500.7

Noninterest income for 2005 increased \$7.3 million or 1.7% compared to 2004. The most significant changes were in other service charges, commissions and fees which increased \$12.5 million and equity securities losses which decreased \$8.5 million. Noninterest income for 2004 decreased 13.8% when compared to 2003. The largest component of this decrease was in net equity securities gains, which was \$63.8 million in 2003 compared with net losses of \$9.8 million in 2004. As previously discussed, in 2003 we made the decision to sell the

Company's holdings in several investments resulting in net gains of approximately \$94.4 million. These gains were partially offset by \$30.6 million in write-downs of venture capital and other investments.

Service charges and fees on deposit accounts declined in 2005 and only increased moderately in 2004, mainly as a result of higher earnings credits on commercial deposit accounts as market interest rates rose.

Loan sales and servicing income includes revenues from securitizations of loans as well as from revenues that we earn through servicing loans that have been sold to third parties. For 2005 loan sales and servicing income decreased 1.6% compared to 2004. The decrease was mainly due to decreased gains from the sale of conforming residential loans sold servicing released and from the sale of home equity credit lines. For 2004, loan sales and servicing income declined 11.4% from the amount in 2003. The decline for 2004 resulted from several factors including reduced residential mortgage originations, smaller gains on the sales of securitized loans when compared to the gain realized in 2003, higher levels of loan prepayments, and fewer loan sales in 2004. See Note 6 of the Notes to Consolidated Financial Statements for additional information on the Company's securitization programs.

Other service charges, commissions and fees, which is comprised of investment, brokerage and fiscal agent fees, Automated Teller Machine ("ATM") fees, insurance commissions, bankcard merchant fees, debit card interchange fees and other miscellaneous fees, increased \$12.5 million, or 12.0% from 2004, which was up 9.8% from 2003. The increase for 2005 included \$3.7 million of fees earned by Amegy. Other significant increases for 2005 include increases in debit card interchange fees resulting from increased volumes, increased letter of credit fees and customer swap fees, and increased fees from the Company's municipal finance business. Other service charges, commissions and fees were negatively impacted by a decision during 2005 to reduce the selling of annuity products to investment customers. The increase in 2004 was largely the result of higher insurance commissions along with increased fees from a newly created customer swap business.

Trust and investment management income for 2005 decreased 5.9% compared to 2004, which was down 19.4% compared to 2003. The decrease for 2005 and 2004 reflect the sales of selected personal trust accounts in Arizona and the directed IRA businesses in early 2004.

Income from securities conduit represents fees that we receive from Lockhart, a QSPE securities conduit, in return for liquidity, an interest rate agreement and administrative services that Zions Bank provides to the entity in accordance with a servicing agreement. The significant increase in income for 2004 compared to 2003 resulted from increased

investment holdings in Lockhart's securities portfolio, which created higher servicing fees. See "Liquidity Management Actions" on page 74 and Note 6 of the Notes to Consolidated Financial Statements for further information regarding securitizations and Lockhart.

Dividends and other investment income consist of revenue from the Company's bank-owned life insurance program, dividends on securities holdings and equity in earnings from investments. Revenue from bank-owned life insurance programs was \$18.9 million in 2005, \$18.5 million in 2004 and \$19.0 million in 2003. Revenues from investments include dividends on Federal Home Loan Bank ("FHLB") and Federal Reserve Bank stock, and equity earnings in unconsolidated affiliates and were \$11.1 million in 2005, \$13.3 million in 2004 and \$9.5 million in 2003.

Market making, trading and nonhedge derivative income consists of the following:

Schedule 8

MARKET MAKING, TRADING AND NONHEDGE DERIVATIVE INCOME

<i>(Amounts in millions)</i>	2005	Percent change	2004	Percent change	2003
Market making and trading income	\$ 16.3	(4.1)%	\$ 17.0	(38.0)%	\$ 27.4
Nonhedge derivative income	(0.6)	(220.0)	0.5	(75.0)	2.0
Total	<u>\$ 15.7</u>		<u>\$ 17.5</u>		<u>\$ 29.4</u>

Trading revenue for 2005 and 2004 declined mainly due to lower margins from the odd-lot electronic trading business. In the fourth quarter of 2005, a decision was made to close our London trading office and reduce the amount of the Company's trading assets in response to the margin pressures. Nonhedge derivative income included fair value decreases of \$3.0 million in 2005, \$3.3 million in 2004 and \$2.3 million in 2003. Nonhedge derivative income for 2005 also includes a loss of \$0.9 million from two ineffective cash flow hedges.

Net equity securities losses were \$1.3 million in 2005 compared to \$9.8 million in 2004. Net losses for 2004 included a number of large write-ups and write-downs of equity and venture capital investments. The largest single write-up was \$8.3 million and the largest single write-down was \$5.9 million. The valuation adjustments for 2005 were not as significant with the largest write-up being \$1.7 million

and the largest write-down \$1.6 million. As previously discussed, equity securities gains for 2003 included a \$68.5 million gain on the sale of ICAP plc, \$25.9 million in other equity securities gains and \$30.6 million of investment write-downs.

Other noninterest income for 2005 was \$18.9 million, down from \$21.9 million for 2004. Other noninterest income for 2005 includes \$3.9 million of income from NetDeposit scanner sales compared to \$0.3 million earned during 2004. During 2004 the Company recognized in other noninterest income \$5.3 million of litigation settlements and \$1.5 million from the sale of certain personal trust accounts in Arizona.

Schedule 9

NONINTEREST EXPENSE

(Amounts in millions)	Zions without Amegy	Amegy	Total 2005	Percent change	2004	Percent change	2003
Salaries and employee benefits	\$ 562.9	11.0	573.9	8.0%	\$ 531.3	8.1 %	\$ 491.6
Occupancy, net	75.7	1.7	77.4	5.0	73.7	3.8	71.0
Furniture and equipment	66.2	2.0	68.2	3.6	65.8	0.5	65.5
Legal and professional services	34.2	0.6	34.8	7.4	32.4	24.6	26.0
Postage and supplies	26.4	0.5	26.9	4.7	25.7	(0.4)	25.8
Advertising	21.0	0.4	21.4	8.6	19.7	8.2	18.2
Debt extinguishment cost	-	-	-	-	-	(100.0)	24.2
Impairment losses on long-lived assets	3.1	-	3.1	342.9	0.7	(74.1)	2.7
Restructuring charges	2.4	-	2.4	118.2	1.1	(42.1)	1.9
Merger related expense	1.4	1.9	3.3	-	-	-	-
Amortization of core deposit and other intangibles	14.5	2.4	16.9	19.9	14.1	(0.7)	14.2
Provision for unfunded lending commitments	3.3	0.1	3.4	580.0	0.5	-	-
Other	179.9	3.1	183.0	15.6	158.3	2.4	154.6
Total	<u>\$ 991.0</u>	<u>23.7</u>	<u>1,014.7</u>	<u>9.9%</u>	<u>\$ 923.3</u>	<u>3.1 %</u>	<u>\$ 895.7</u>

Actions taken by management to control expenses in the last three years included restructuring its trading operations in the fourth quarter of 2005, completing the restructuring of its e-commerce operations, restructuring Vectra, closing unproductive branches, consolidating operations, and improving procurement processes. As part of these cost reduction efforts, the Company incurred restructuring charges of \$2.4 million in 2005, \$1.1 million in 2004 and \$1.9 million in 2003. See Note 15 of the Notes to Consolidated Financial Statements for additional information on restructuring and impairment charges.

The Company's efficiency ratio was 55.7% for 2005 compared to 57.2% for 2004 and 55.7% for 2003. The efficiency ratio for 2003, however, was favorably impacted by

Noninterest Expense

Noninterest expense for 2005 increased 9.9% over 2004, which was 3.1% higher than in 2003. The percentage changes are impacted by \$23.7 of Amegy expense included in 2005 and debt extinguishment costs of \$24.2 million in 2003, which were incurred when the Company repurchased \$197.4 million of its debt. Schedule 9 summarizes the major components of noninterest expense and provides a comparison of the components over the past three years. The schedule also categorizes noninterest expense of Amegy for the month of December 2005.

large equity securities gains, which resulted in higher revenues relative to noninterest expense for that year.

Salary costs for 2005 increased 8.1% over 2004, which was up 9.9% from 2003. The increases for 2005 and 2004 resulted from increased incentive plan costs and additional staffing related to the build out of our wealth management business and of NetDeposit, the hiring in the third quarter of 2004 of an experienced commercial lending team of 39 professionals in Utah and Idaho and to other business expansion. Salary costs for 2005 also include \$9.7 million of Amegy expense. Employee benefits for 2005 increased 7.5% from 2004 which were essentially unchanged from 2003. The increase in employee benefits for 2005 is mainly the result of increased contributions to a profit sharing plan and increased

employee matching contributions to our 401(k) plan. The profit sharing plan was enhanced as a replacement for a broad-based employee stock option plan that was discontinued in 2005. Salaries and employee benefits are shown in greater detail in Schedule 10.

Schedule 10

SALARIES AND EMPLOYEE BENEFITS

<i>(Dollar amounts in millions)</i>	2005	Percent change	2004	Percent change	2003
Salaries and bonuses	\$ 486.7	8.1%	\$ 450.2	9.9 %	\$ 409.7
Employee benefits:					
Employee health and insurance	28.5	1.1	28.2	(1.7)	28.7
Retirement	28.0	23.9	22.6	(11.7)	25.6
Payroll taxes and other	30.7	1.3	30.3	9.8	27.6
Total benefits	87.2	7.5	81.1	(1.0)	81.9
Total salaries and employee benefits	\$ 573.9	8.0%	\$ 531.3	8.1 %	\$ 491.6
Full-time equivalent employees ("FTEs") (at December 31)	10,102	25.9%	8,026	1.6 %	7,896

FTEs at December 31, 2005 include 1,983 FTEs for Amegy.

Legal and professional services increased 7.4% when compared to 2004 which was up 24.6% from 2003. The increases for both years were primarily a result of additional consulting services associated with various ongoing projects relating to systems conversions and upgrades, including the completion of "Project Unify" at NBA during 2004 and the ongoing "Project Unify" efforts for CB&T.

During the fourth quarter of 2005, the Company recognized an impairment loss on long-lived assets of \$2.5 million on capitalized management software. Merger related expenses for 2005 are incremental costs associated with the integration of Amegy.

Other noninterest expense grew 15.6% over the amount in 2004, which was up 2.4% from 2003. The increase for 2005 resulted primarily from higher bankcard expenses due to increased activity, increased operational losses which were unusually low for 2004, increased scanner costs for the NetDeposit product, increased data processing costs and

travel expense resulting from the Company's major systems projects and increased fidelity insurance premiums.

As discussed under "Critical Accounting Policies and Significant Estimates" beginning on page 30, the Company will adopt SFAS 123R effective January 1, 2006 to begin recording compensation expense for stock options and other forms of share-based payments. Noninterest expense will increase in 2006 as a result of the adoption of SFAS 123R. We have disclosed in the Company's financial statements the pro forma effect on net income as if our share-based compensation had been expensed.

Impairment Losses on Goodwill

During the third quarter of 2004, the Company made the decision to reorganize the operations at Zions Bank International Ltd. (formerly Van der Moolen UK Ltd.) as a result of disappointing operating performance. The decision resulted in terminating the Euro-denominated bond trading operations and downsizing the U.S. dollar-denominated bond trading operations. This reorganization also resulted in restructuring charges in 2004 of \$1.0 million, an impairment write-down of goodwill of \$0.6 million and impairment of other intangibles of \$0.2 million. During the fourth quarter of 2005 the Company closed the London office of ZBI and recognized restructuring charges of \$2.4 million and an impairment write-down of goodwill of \$0.6 million.

As previously discussed, in 2003 and early 2004 Vectra went through a restructuring that resulted in selling eleven of Vectra's branches. The assets and liabilities from these branches were measured at their fair values based upon bids, letters of intent, and negotiations with potential buyers. The comparison of the fair values to the carrying values of these assets and liabilities resulted in an impairment loss on goodwill of \$7.1 million, which we recorded in 2003.

During 2003, the Company also performed an impairment analysis on the remaining Vectra operations that were being retained. The analysis was performed in accordance with the valuation process specified in SFAS 142. Based on the results of the analysis, the Company recognized an additional impairment loss on goodwill of \$68.5 million, which when added to the \$7.1 million discussed above, totals \$75.6 million and is separately disclosed in the Consolidated Statements of Income.

Foreign Operations

Zions Bank and Amegy both operate foreign branches in Grand Cayman, Grand Cayman Islands, B.W.I. The branches only accept deposits from qualified customers. While deposits in these branches are not subject to Federal Reserve Board reserve requirements or Federal Deposit Insurance Corporation insurance requirements, there are no federal or state income tax benefits to the Company or any customers as a result of these operations.

Foreign deposits at December 31, 2005, 2004 and 2003 totaled \$2.2 billion, \$439 million and \$235 million, respectively, and averaged \$737 million for 2005, \$338 million for 2004, and \$186 million for 2003. Amegy foreign deposits of \$1.4 billion are included in the December 31, 2005 balance. All of these foreign deposits were related to domestic customers of the banks. See Schedule 30 on page 59 for foreign loans outstanding.

In addition to the Grand Cayman branch, Zions Bank, through its wholly-owned subsidiary ZBI, had an office in the United Kingdom that provided sales support for its U.S. Dollar trading operations. The office was closed during the fourth quarter of 2005.

Income Taxes

The Company's income tax expense for 2005 was \$263.4 million compared to \$220.1 million for 2004 and \$213.8 million for 2003. The Company's effective income tax rate was 35.5% in 2005, 35.3% in 2004 and 39.1% in 2003. The higher effective tax rate for 2003 was primarily the result of higher taxable income resulting from nondeductible expenses, including goodwill impairment. See Note 16 of the Notes to Consolidated Financial Statements for more information on income taxes.

In 2004, the Company signed an agreement that confirmed and implemented its award of a \$100 million allocation of tax credit authority under the Community Development Financial Institutions Fund set up by the U.S. Government. Under the program, Zions has invested \$80 million as of December 31, 2005, in a wholly-owned subsidiary, which makes qualifying loans and investments. In return, Zions receives federal income tax credits that will be recognized over seven years, including the year in which the funds were invested in the subsidiary. Zions invested \$60

million in its subsidiary in 2004, an additional \$20 million in 2005 and expects to fund the remaining \$20 million during 2006. Income tax expense was reduced by \$3 million for 2004 and \$4 million for 2005. We expect that we will be able to reduce the Company's federal income tax payments by a total of \$39 million over the life of this award, which is expected to be the years 2004 through 2012.

BUSINESS SEGMENT RESULTS

The Company manages its operations and prepares management reports with a primary focus on geographical area. Segments, other than the "Other" segment that are presented in the following discussion are based on geographical banking operations. The Other segment includes Zions Bancorporation ("the Parent"), non-bank financial service and financial technology subsidiaries, other smaller nonbank operating units, *de minimus* amounts for TCBO which was opened during the fourth quarter of 2005 and eliminations of intercompany transactions.

Operating segment information is presented in the following discussion and in Note 23 of the Notes to Consolidated Financial Statements. The accounting policies of the individual segments are the same as those of the Company. The Company allocates centrally provided services to the business segments based upon estimated or actual usage of those services.

We also allocate income among participating banking subsidiaries to better match revenues from hedging strategies to the operating units that gave rise to the exposures being hedged. The initial hedge income allocation methodology began January 1, 2002. Interest rate swaps were recorded and managed by Zions Bank for the benefit of other banking subsidiaries and hedge income was allocated to the other banking subsidiaries based on a transfer pricing methodology.

Beginning January 1, 2003 after discussions between management and bank regulators, the allocation methodology was changed. After that date, new interest rate swaps were recorded directly by the banking subsidiaries and the allocation methodology for remaining Zions Bank swaps was changed to include a review of the banking subsidiary's earnings sensitivity to interest rate changes. These changes, along with interest rate increases that reduced the income derived from the allocated hedges, reduced the amount of

Zions Bank hedge income allocated to the other banking subsidiaries. For 2005, the amount of hedge income allocated from Zions Bank was \$0.2 million compared to \$15.4 million in 2004 and \$26.0 million in 2003. In the following schedules presenting operating segment information, the hedge income allocated to participating banking subsidiaries and the hedge income recognized directly by these banking subsidiaries are presented as separate line items.

Zions Bank and Subsidiaries

Zions Bank is headquartered in Salt Lake City, Utah and is primarily responsible for conducting the Company's operations in Utah and Idaho. Zions Bank is the largest full-service commercial bank in Utah and the seventh largest in Idaho, as measured by deposits. Also included in Zions Bank are the Capital Markets operations, which include Zions Direct, Inc., Zions Bank International Ltd., fixed income trading, correspondent banking, public finance and variable rate mortgage lending activities, and investment advisory, liquidity and hedging services for Lockhart Funding. Contango Capital Advisors, Inc., a wealth management business launched in the latter half of 2004, is also included in Zions Bank.

Schedule 11

ZIONS BANK AND SUBSIDIARIES

<i>(In millions)</i>	2005	2004	2003
CONDENSED INCOME STATEMENT			
Net interest income excluding hedge income	\$ 405.8	340.5	320.5
Hedge income recorded directly at subsidiary	2.3	18.7	30.5
Allocated hedge income	(0.2)	(15.4)	(26.0)
Net interest income	407.9	343.8	325.0
Noninterest income	269.2	265.9	244.4
Total revenue	677.1	609.7	569.4
Provision for loan losses	26.0	24.7	46.3
Noninterest expense	391.1	350.4	318.3
Impairment loss on goodwill	0.6	0.6	-
Income before income taxes and minority interest	259.4	234.0	204.8
Income tax expense	85.4	77.6	65.0
Minority interest	(0.1)	(0.3)	(0.5)
Net income	\$ 174.1	156.7	140.3
YEAR-END BALANCE SHEET DATA			
Total assets	\$ 12,651	11,880	10,598
Net loans and leases	8,510	7,876	6,888
Allowance for loan losses	107	99	98
Goodwill, core deposit and other intangibles	27	30	30
Noninterest-bearing demand deposits	1,986	1,606	1,272
Total deposits	9,213	8,192	7,104
Common equity	836	756	725

Net income for Zions Bank increased 11.1% to \$174.1 million for 2005 compared to \$156.7 million for 2004 and \$140.3 million in 2003. Results include the Wealth Management group which was formed in 2004 and had after-tax net losses of \$6.2 million in 2005 and \$3.9 million in 2004. Results for 2005 also include allocated interest expense from hedges of \$0.2 million compared with \$15.4 million in 2004 and \$26.0 million for 2003 that is recorded as a reduction of net interest income under the previously discussed allocation program.

The increase in earnings at Zions Bank for 2005 was driven by an 18.6% increase in net interest income. Net interest income increased \$64.1 million from 2004 which was up \$18.8 million from 2003. The net interest margin increased to 3.68% for 2005, compared to 3.21% for 2004 and 3.27% for 2003. The increases in net interest income and the interest margin for 2005 were mainly due to an improved asset and

liability mix. Lower yielding average money market investments and securities were reduced and average loans increased during the year. Zions Bank also experienced strong growth in noninterest-bearing deposits during 2005.

Noninterest income increased 1.2% to \$269.2 million compared to \$265.9 million for 2004 and \$244.4 million for 2003. Significant changes to noninterest income for 2005 compared to 2004 include a \$7.3 million reduction in losses on equity securities related to venture and other equity investments. Brokerage fees income decreased \$5.8 million for 2005 compared to 2004 mainly due to decreased fees from annuity and mutual fund sales. The Company made a decision in 2005 to reduce sales of annuity products to its customers. The increase in noninterest income for 2004 was primarily the result of a reduction in losses on equity securities compared to 2003, along with increased income from other investments. Income generated from providing services to Lockhart was \$35.0 million in 2005 compared to \$35.2 million in 2004 and \$29.4 million in 2003.

Noninterest expense for 2005 increased \$40.7 million or 11.6% from 2004. Increases for 2005 included a \$14.5 million, or 9.0% increase in salaries and benefits and a \$13.2 million or 18.9% increase in technology and operational costs allocated from the Company's servicing subsidiary. For 2004, noninterest expense increased 10.1% compared to 2003, primarily as a result of higher salaries and benefits and to a lesser extent, higher bankcard expenses resulting from increased customer usage.

The economy improved in Zions Bank's primary markets during both 2005 and 2004 and it experienced strong growth during both years in loans and deposits. This growth came from the bank's core business and also came from certain other operations where market opportunities existed such as its National Real Estate Lending Group. On-balance-sheet loan growth for Zions Bank was 8.0% for 2005 down from 14.3% for 2004.

Deposits at year-end 2005 increased 12.5% from 2004 or \$1.0 billion compared to growth of \$1.1 billion or 15.3% for 2004. In addition, the mix of deposits improved with noninterest-bearing demand deposits increasing 23.7% during 2005 and 26.3% in 2004. Deposits included \$830 million of certificates of deposit from CB&T at December 31, 2005 and \$960 million at December 31, 2004 and 2003.

Schedule 12

ZIONS BANK AND SUBSIDIARIES

	2005	2004	2003
PERFORMANCE RATIOS			
Return on average assets	1.40%	1.29%	1.24%
Return on average common equity	22.22%	21.24%	19.99%
Efficiency ratio	56.95%	56.46%	54.62%
Net interest margin	3.68%	3.21%	3.27%
OTHER INFORMATION			
Full-time equivalent employees	2,517	2,563	2,379
Domestic offices:			
Traditional branches	104	102	100
Banking centers in grocery stores	30	31	48
Foreign offices	1	2	1
Total offices	135	135	149
ATMs	178	183	206

Nonperforming assets for Zions Bank were \$22.1 million at December 31, 2005, up slightly from \$21.6 million at December 31, 2004. Accruing loans past due 90 days or more decreased to \$4.4 million compared to \$9.8 million at year-end 2004. Net loan and lease charge-offs for 2005 were \$17.5 million compared with \$24.4 million for 2004. For 2005, Zions Bank's loan loss provision was \$26.0 million compared with \$24.7 million for 2004 and \$46.3 million for 2003.

In April 2004, Zions Bank purchased the odd-lot fixed income trading operations of Van der Moolen UK Ltd. Upon completion of the purchase, Van der Moolen UK Ltd.'s name was changed to ZBI. In July of 2004, the Euro-denominated trading activity of ZBI was terminated and the US dollar-denominated bond trading activity was downsized. As a result of that reorganization, \$1.6 million was expensed in goodwill impairment and restructuring costs. During the fourth quarter of 2005 the London office of ZBI was closed. An additional \$3.0 million of restructuring costs and impairment charges were recognized.

During 2004, Zions Investment Securities, Inc. introduced its new "Zions Direct" online trading platform and in 2005 the name of the company was changed to Zions Direct, Inc. Through Zions Direct, retail customers can execute online stock and bond trades for \$10.95 per trade. Zions Direct customers also have access to more than 9,000 mutual funds and the ability to search one of the largest inventories of bonds through "Bonds for Less." Zions Direct

(www.zionsdirect.com) provides convenient access, free education and real-time information for executing trades, monitoring portfolios and conducting research.

During 2005, Zions Bank ranked as Utah's top SBA 7(a) lender for the twelfth consecutive year and ranked first in Idaho's Boise District for the fourth consecutive year. Zions Bank also expanded its National Real Estate Group, which makes real estate-secured loans at low loan-to-value ratios to small businesses across the country. The Group funded nearly \$1.2 billion in new loans in 2005. In 2004, Zions Bank added a team of experienced commercial lenders in key areas throughout its market area and the bank is experiencing strong loan growth as a result of this expansion.

In 2004, Zions Bank opened its first multicultural branch in Salt Lake City aimed principally at serving the area's growing Hispanic/Latino population. With the continued growth in this market, Zions Bank opened another multicultural branch in Ogden, Utah in late 2005.

California Bank & Trust

CB&T is the eighth largest full service commercial bank in California, operating 91 traditional branch offices and 7 loan production offices throughout the state. CB&T also has loan production offices that generate primarily commercial real estate and/or SBA loans in Arizona, Colorado, Florida, Georgia, Illinois, Michigan, Missouri, Nevada, Ohio, Oregon, and Washington. CB&T manages its businesses primarily by a regional structure, allowing decision-making to remain as close as possible to the customer. These regions include the San Francisco Bay Area, Sacramento, Central Valley, Los Angeles, Orange County and San Diego. Functionally, the Retail and Small Business Group services personal and small business accounts, and the Corporate and Commercial Banking Group services the middle-market and commercial business accounts. A separate Real Estate Financing unit provides construction and commercial real estate lending services. In addition, CB&T offers SBA lending, corporate financial services, community development, international banking, government services and personal banking products and services.

Schedule 13

CALIFORNIA BANK & TRUST

<i>(In millions)</i>	2005	2004	2003
CONDENSED INCOME STATEMENT			
Net interest income excluding hedge income	\$ 451.0	396.4	381.1
Hedge income recorded directly at subsidiary	0.4	13.8	4.3
Allocated hedge income	-	-	-
Net interest income	451.4	410.2	385.4
Noninterest income	75.0	77.5	75.9
Total revenue	526.4	487.7	461.3
Provision for loan losses	9.9	10.7	12.1
Noninterest expense	243.9	234.1	227.0
Income before income taxes	272.6	242.9	222.2
Income tax expense	109.7	97.1	89.1
Net income	\$ 162.9	145.8	133.1
YEAR-END BALANCE SHEET DATA			
Total assets	\$ 10,896	10,186	9,216
Net loans and leases	7,671	7,132	6,349
Allowance for loan losses	91	86	81
Goodwill, core deposit and other intangibles	408	419	426
Noninterest-bearing demand deposits	2,952	2,652	2,401
Total deposits	8,896	8,329	7,638
Common equity	1,072	1,031	956

Net income increased 11.7% to \$162.9 million in 2005 compared with \$145.8 million for 2004, and \$133.1 million for 2003. Earning asset growth, interest rate management, credit management, customer profitability management and expense control were the primary contributors to the positive results of operations for 2005.

Net interest income for 2005 increased \$41.2 million or 10.0% to \$451.4 million compared to \$410.2 million for 2004 and \$385.4 million for 2003. CB&T's net interest margin was 4.91%, 4.78% and 4.94% for 2005, 2004 and 2003, respectively. The bank strives to maintain a slightly asset-sensitive position with regard to rate risk management, meaning that when market interest rates rise, as occurred in 2005, the net interest margin increases. CB&T expects net interest income to increase in 2006 but the margin could narrow due to the flattening yield curve and the competitive pressures of increasing interest rates on deposits.

The efficiency ratio has improved in each of the past three years: 46.3% for 2005, 47.9% for 2004 and 49.1% for 2003. CB&T continues to focus on managing operating efficiencies and costs in relation to revenue. The increase in

total revenue was greater than the increase in noninterest expenses. Total revenue was \$526.4 million, an increase of 7.9% over \$487.7 million in 2004. Noninterest expense grew to \$243.9 million, an increase of 4.2% over \$234.1 million in 2004. This modest expense growth was primarily due to strong controls over staffing levels and other variable expenses. Full-time equivalent employees declined to 1,673 in December, 2005 from 1,722 in December, 2004.

Schedule 14

CALIFORNIA BANK & TRUST

	2005	2004	2003
PERFORMANCE RATIOS			
Return on average assets	1.59%	1.51%	1.51%
Return on average common equity	15.53%	14.52%	13.52%
Efficiency ratio	46.29%	47.93%	49.12%
Net interest margin	4.91%	4.78%	4.94%
OTHER INFORMATION			
Full-time equivalent employees	1,673	1,722	1,738
Domestic offices:			
Traditional branches	91	91	91
ATMs	105	107	108

Net loans and leases grew \$539 million or 7.6% in 2005 compared to 2004. CB&T experienced good loan demand during the last quarter of 2005. The annualized growth rate for the last quarter of 2005 was 11.1%. Commercial, small business and commercial real estate loans grew in 2005 compared to 2004, while consumer loans declined. CB&T does not expect to sustain this double digit growth given the unknown business climate, market conditions, and the general interest rate environment. Loan growth may slow due to higher interest rates and a slower real estate market.

Total deposits grew \$567 million or 6.8% in 2005 compared to 2004. The ratio of noninterest-bearing deposits to total deposits was 33.2% and 31.8% for 2005 and 2004, respectively. CB&T anticipates moderate deposit growth in 2006 but will be dependent on the California economy, business growth, and jobs.

Nonperforming assets were \$20.0 million at December 31, 2005 compared to \$29.3 million one year ago. The level of nonperforming assets to net loans and other real estate owned at December 31, 2005 improved to 0.26% compared to 0.41% at December 31, 2004. Net loan and lease

charge-offs were \$4.9 million for 2005 compared with \$6.1 million for 2004. CB&T's loan loss provision was \$9.9 million for 2005 compared to \$10.7 million for 2004. The reduced provision reflects the improved credit quality of the loan portfolio and the adequacy of the allowance for loan losses. The ratio of the allowance for loan losses to nonperforming loans was 512.1% at year-end 2005 compared to 350.1% at year-end 2004.

Amegy Corporation

On December 3, 2005, the Company completed its merger with Amegy. The results of operations of Amegy for the month of December 2005 have been included in the consolidated financial statements. For the month of December 2005, net income of Amegy was \$7.5 million.

Amegy is headquartered in Houston, Texas and is the tenth largest full-service commercial bank with operations in the state. Amegy operates 62 traditional branches and 15 banking centers in grocery stores in the Houston metropolitan area and five traditional branches and one loan production office in the Dallas metropolitan area. The Texas economy is the eighth largest in the world with two-thirds of all economic activity occurring in Amegy's primary markets in Houston and Dallas. Houston has a diversified economy driven by energy, healthcare, and international business and in 2005 it added 42,500 jobs for a total of 2.5 million jobs. Dallas has a diversified economy driven by the telecommunications, distribution and transportation industries. The Dallas-Fort Worth Metroplex added 36,600 jobs in 2005 for a total of 2.7 million jobs. Job growth projections for 2006 continue to be strong with 48,000 new jobs forecasted for the Houston metropolitan area and 51,000 new jobs forecasted for the Dallas metropolitan area. Amegy plans to focus more on full-service branches than grocery store branches going forward, and expects to add four new full service branches in 2006.

At December 31, 2005, Amegy's total assets were \$9.4 billion, net loans and leases were \$5.4 billion, and total deposits were \$6.9 billion. Amegy experienced a significant increase in loan demand in the fourth quarter of 2005 with loans growing by 30% on an annualized basis. Amegy also experienced strong deposit growth in the fourth quarter of 2005, with gains in retail banking and through the sale of

treasury management products and services to its commercial clients, resulting in annualized growth of 34%.

Asset quality remained strong with nonperforming assets of \$17.2 million at December 31, 2005. The level of nonperforming assets to net loans and other real estate owned at December 31, 2005 was 0.32% and Amegy's allowance for loan losses was \$49.4 million.

Schedule 15

AMEGY CORPORATION

<i>(In millions)</i>	2005
YEAR-END BALANCE SHEET DATA	
Total assets	\$ 9,350
Net loans and leases	5,389
Allowance for loan losses	49
Goodwill, core deposit and other intangibles	1,404
Noninterest-bearing demand deposits	2,145
Total deposits	6,905
Common equity	1,768

Schedule 16

AMEGY CORPORATION

	2005
OTHER INFORMATION	
Full-time equivalent employees	1,983
Domestic offices:	
Traditional branches	67
Banking centers in grocery stores	15
Foreign office	1
Total offices	83
ATMs	130

National Bank of Arizona

NBA is the fourth largest full-service commercial bank in Arizona and is responsible for the Company's Arizona operations. As has been in the case over the past several years, Arizona continues to be one of the fastest growing states in the Nation. With more than 6 million residents, Arizona is now the 16th largest state in the union. Arizona's metropolitan area, comprising the cities of Phoenix and Tucson will surpass the 5 million mark in population within a year. Employment gains in Phoenix alone topped the nation during 2005 with over 83,000 new jobs. Housing has continued to fuel a large portion of the Arizona economy and the metropolitan Phoenix and Tucson areas experienced

strong growth in both the number of housing starts and are one of the leaders in the country for price appreciation. NBA is a recognized leader in Arizona for commercial and residential lending. The strength of the Arizona economy, coupled with the consistently sound lending practices followed by NBA, produced another record breaking year in terms of financial performance and growth for the organization. The Arizona economic outlook for 2006 remains positive, with some moderation from the stellar results experienced in 2005.

Schedule 17

NATIONAL BANK OF ARIZONA

<i>(In millions)</i>	2005	2004	2003
CONDENSED INCOME STATEMENT			
Net interest income excluding hedge income	\$ 186.2	139.0	119.2
Hedge income recorded directly at subsidiary	1.3	0.6	2.6
Allocated hedge income	0.1	4.0	6.7
Net interest income	187.6	143.6	128.5
Noninterest income	21.5	21.6	21.4
Total revenue	209.1	165.2	149.9
Provision for loan losses	5.2	4.0	0.2
Noninterest expense	97.8	86.1	79.8
Income before income taxes	106.1	75.1	69.9
Income tax expense	42.1	29.7	27.7
Net income	\$ 64.0	45.4	42.2
YEAR-END BALANCE SHEET DATA			
Total assets	\$ 4,209	3,592	3,067
Net loans and leases	3,698	3,129	2,381
Allowance for loan losses	38	33	30
Goodwill, core deposit and other intangibles	68	70	72
Noninterest-bearing demand deposits	1,191	930	773
Total deposits	3,599	3,046	2,539
Common equity	299	264	241

NBA's net income in 2005 rose by 41.0% to \$64.0 million following a 7.6% growth in earnings in 2004. Net interest income increased by 30.6% compared to 2004. This sizable increase was a result of continued loan growth, along with an improved net interest margin, which was 5.23% for 2005 compared to 4.83% for 2004. During 2005, the increases in short-term interest rates favorably affected the net margin, as a significant portion of the loan portfolio responds quickly to these rate changes. Depository rates were closely monitored and rose at a slower pace.

Noninterest income for the year maintained the level achieved in 2004. During 2004, NBA's trust company and certain related assets were sold resulting in the recognition of a one-time gain of approximately \$2.8 million.

Noninterest expense increased by 13.6% over 2004 to \$97.8 million. Salaries and benefits increases comprised the largest component of the change, a direct result of expanding the residential and commercial activity throughout the state and other long-term compensatory plans. System costs supporting the expanded loan, and depository relationships also contributed significantly to the year over year increases. Despite the increases in noninterest expense, NBA was able to reduce its efficiency ratio by over 5%, to 46.67% compared to 51.94% for 2004.

Schedule 18

NATIONAL BANK OF ARIZONA

	2005	2004	2003
PERFORMANCE RATIOS			
Return on average assets	1.65%	1.40%	1.46%
Return on average common equity	22.62%	18.34%	18.23%
Efficiency ratio	46.67%	51.94%	52.93%
Net interest margin	5.23%	4.83%	4.90%
OTHER INFORMATION			
Full-time equivalent employees	871	843	831
Domestic offices:			
Traditional branches	53	54	54
ATMs	53	53	54

Net loans grew by \$569 million, an increase of 18.2%, following an increase in 2004 of 31.4%. Loan growth remained strong in all sectors of NBA's loan portfolio and was particularly strong in the areas of residential and commercial real estate, reflecting the Arizona economy's strength. Deposit growth of \$553 million remained strong with an 18.2% increase over the 2004 balances.

Nonperforming assets decreased to \$9.7 million at December 31, 2005, compared to \$17.7 million at year-end 2004. Nonaccrual loans at December 31, 2004 included one large loan totaling approximately \$10 million that returned to a performing status in 2005. Net charge-offs were \$0.4 million for both 2005 and 2004. The provision for loan losses was \$5.2 million for 2005, compared to \$4.0 million for 2004.

Nevada State Bank

NSB is headquartered in Las Vegas, Nevada and is the fourth largest full-service commercial bank in the state. Travel and tourism, construction and mining are Nevada's largest three industries. All sectors of the Silver State economy continue to prosper. Nevada's growth has outpaced that of the national economy in 2005. Nevada continues to offer good job opportunities, with the heaviest concentration in the construction and service industries, and the economic outlook for the state remains positive for 2006.

Schedule 19

NEVADA STATE BANK

(In millions)	2005	2004	2003
CONDENSED INCOME STATEMENT			
Net interest income excluding hedge income	\$ 170.4	140.2	122.6
Hedge income recorded directly at subsidiary	0.9	1.7	0.6
Allocated hedge income	-	1.5	2.6
Net interest income	171.3	143.4	125.8
Noninterest income	31.0	31.6	31.7
Total revenue	202.3	175.0	157.5
Provision for loan losses	(0.4)	3.4	5.6
Noninterest expense	106.2	96.4	86.9
Income before income taxes	96.5	75.2	65.0
Income tax expense	33.4	25.8	22.1
Net income	\$ 63.1	49.4	42.9
YEAR-END BALANCE SHEET DATA			
Total assets	\$ 3,681	3,339	2,958
Net loans and leases	2,846	2,549	2,162
Allowance for loan losses	28	29	28
Goodwill, core deposit and other intangibles	22	22	23
Noninterest-bearing demand deposits	1,122	1,032	807
Total deposits	3,171	2,951	2,555
Common equity	244	220	194

NSB's net income for 2005 increased 27.7% to \$63.1 million compared to \$49.4 million for 2004 and \$42.9 million for 2003. Net interest income grew to \$171.3 million, or 19.5% from 2004 which was up 14.0% from 2003. The increase for both years reflects the growth in the loan portfolio, along with improved net interest margins for the last two years.

Noninterest income for 2005 was \$31.0 million compared to \$31.6 million for 2004. The decline in noninterest income was primarily the result of higher earning credits allowed on business checking accounts, which caused actual service charges on deposits for 2005 to be less than the prior year. Noninterest income for 2004 was essentially the same as 2003.

Noninterest expense increased by 10.2% compared to 2004, which was up 10.9% from 2003. Salaries and benefits were the leading component of the increase in 2005 driven by the opening of new offices, expansion of lending departments and increases in long-term compensation plans. Salaries and new state business taxes were the primary cause of the increase in 2004. NSB's efficiency ratio was 52.4% for 2005, 54.9% for 2004 and 54.8% for 2003. The bank continues to focus on managing operating costs to improve its efficiency.

Schedule 20

NEVADA STATE BANK

	2005	2004	2003
PERFORMANCE RATIOS			
Return on average assets	1.78%	1.55%	1.52%
Return on average common equity	27.35%	23.61%	23.98%
Efficiency ratio	52.37%	54.86%	54.83%
Net interest margin	5.26%	4.94%	4.90%
OTHER INFORMATION			
Full-time equivalent employees	811	796	752
Domestic offices:			
Traditional branches	34	33	31
Banking centers in grocery stores	35	34	35
Total offices	69	67	66
ATMs	78	77	88

The Southern Nevada economy is strong and the construction industry is benefiting from both residential and commercial building demand. Net loans grew by \$297 million or 11.7% in 2005 compared to 2004, which was up 17.9% from 2003. Loan growth was primarily in the construction lending area.

Total deposits grew by \$220 million or 7.5% in 2005 compared to 2004. While deposit growth continues to be a challenge as NSB competes with national retail banks, the ratio of noninterest-bearing deposits to total deposits continues to improve; having been reported at 35.4% at December 31, 2005 compared with 35.0% at December 31, 2004 and 31.6% at December 31, 2003.

Credit quality at NSB remained at a very high level during 2005. Net loan and lease charge-offs were \$0.5 million for 2005 compared with \$2.4 million for 2004. Nonperforming assets were \$4.1 million at December 31, or 0.15% of net loans and leases and other real estate owned. NSB's loan loss provision was \$(0.4) million for 2005 compared to \$3.4 million for 2004 and \$5.6 million for 2003.

Vectra Bank Colorado

Vectra is headquartered in Denver, Colorado and is the sixth largest full-service commercial bank in Colorado as measured by deposits. It has operations primarily in Colorado with an office in Farmington, New Mexico. The financial performance of Vectra in 2005 reflected an improving economic environment; however, the economic performance of Colorado has trailed that of neighboring states. Colorado's job growth ranked 14th in the nation in 2005, lagging the top growth states of Arizona, Nevada and Utah. While Colorado has added jobs in 2005, employment levels have not recovered to 2002 levels.

In 2005, Vectra continued to reposition its delivery system to better serve corporate and business customers. In 2004 Vectra completed a restructuring which included the repositioning of the bank as a business bank. As part of this restructuring, Vectra sold two regional branch networks in agricultural areas, which resulted in a reduction in loan balances of approximately \$130 million and deposit balances of approximately \$165 million. Vectra recorded a pretax gain of \$.7 million on these transactions in 2004.

Schedule 21

VECTRA BANK COLORADO

(In millions)	2005	2004	2003
CONDENSED INCOME STATEMENT			
Net interest income excluding hedge income	\$ 88.1	79.0	84.4
Hedge income recorded directly at subsidiary	0.9	5.8	3.9
Allocated hedge income	0.1	7.3	12.3
Net interest income	89.1	92.1	100.6
Noninterest income	26.6	29.6	38.1
Total revenue	115.7	121.7	138.7
Provision for loan losses	1.6	(0.7)	5.9
Noninterest expense	86.8	92.6	100.5
Impairment loss on goodwill	-	-	75.6
Income (loss) before income taxes	27.3	29.8	(43.3)
Income tax expense	9.7	10.6	16.2
Net income (loss)	\$ 17.6	19.2	(59.5)
YEAR-END BALANCE SHEET DATA			
Total assets	\$ 2,324	2,319	2,532
Net loans and leases	1,539	1,465	1,691
Allowance for loan losses	21	20	28
Goodwill, core deposit and other intangibles	156	158	174
Noninterest-bearing demand deposits	541	486	543
Total deposits	1,636	1,577	1,764
Common equity	299	322	375

Net income for Vectra in 2005 was \$17.6 million, down from \$19.2 in 2004 and up from a net loss of \$59.5 million in 2003. Results in 2003 included a \$75.6 million goodwill write-off associated with Vectra's restructuring. Earnings for Vectra include \$0.1 million of allocated hedge income compared with \$7.3 million in 2004 and \$12.3 million in 2003. Earnings also include hedge income recorded directly at Vectra of \$0.9 million in 2005, down from \$5.8 million in 2004 and \$3.9 million in 2003. Given these hedging activities, Vectra's margin remained relatively stable from 2003 to 2005 despite the rising interest rate environment during that time period. In 2005, Vectra's margin was 4.57%, up from 4.51% in 2004 and 4.49% in 2003.

Vectra reduced noninterest expense by \$5.8 million or 6.3% when compared to 2004. At the same time, Vectra's efficiency ratio of 74.72% improved slightly compared to an efficiency ratio of 75.80% in 2004.

Schedule 22

VECTRA BANK COLORADO

	2005	2004	2003
PERFORMANCE RATIOS			
Return on average assets	0.76%	0.80%	(2.22)%
Return on average common equity	5.68%	5.45%	(13.93)%
Efficiency ratio	74.72%	75.80%	72.08 %
Net interest margin	4.57%	4.51%	4.49 %
OTHER INFORMATION			
Full-time equivalent employees	621	662	825
Domestic offices:			
Traditional branches	40	38	48
Banking centers in grocery stores	2	2	4
Total offices	42	40	52
ATMs	56	55	97

Net loans increased to \$1,539 million in 2005, a 5.1% increase over the \$1,465 million in 2004. Deposits increased to \$1,636 million in 2005, or 3.7%, from \$1,577 million in 2004. Investments in core business relationship groups are driving growth of the bank.

Credit quality has continued to improve at Vectra. Nonperforming assets declined to \$10.9 million in 2005 from \$13.4 million in 2004. Net loan and lease charge-offs in 2005 were \$0.9 million, down from \$4.5 million in 2004 and \$9.4 million in 2003. Given loan growth in 2005, the provision for loan losses was \$1.6 million in 2005 compared to a reversal of \$0.7 million from the allowance for loan losses in 2004.

The Commerce Bank of Washington

TCBW consists of a single office operating in the Seattle, Washington area. Its business strategies focus on serving the financial needs of businesses, professional service firms, executives and professionals. TCBW has continued to perform well in an area of the country that has experienced a slow economic recovery.

Schedule 23

THE COMMERCE BANK OF WASHINGTON

(In millions)	2005	2004	2003
CONDENSED INCOME STATEMENT			
Net interest income excluding hedge income	\$ 29.7	23.2	19.2
Hedge income recorded directly at subsidiary	(0.1)	1.6	1.1
Allocated hedge income	-	2.6	4.4
Net interest income	29.6	27.4	24.7
Noninterest income	1.6	2.2	2.0
Total revenue	31.2	29.6	26.7
Provision for loan losses	1.0	2.0	0.8
Noninterest expense	12.6	11.4	11.2
Income before income taxes	17.6	16.2	14.7
Income tax expense	5.5	4.9	5.1
Net income	\$ 12.1	11.3	9.6
YEAR-END BALANCE SHEET DATA			
Total assets	\$ 789	726	705
Net loans and leases	402	379	329
Allowance for loan losses	4	4	4
Goodwill, core deposit and other intangibles	1	1	-
Noninterest-bearing demand deposits	130	125	101
Total deposits	442	417	453
Common equity	50	50	52

Net income for TCBW was \$12.1 million for 2005, an increase over the \$11.3 million earned in 2004 and \$9.6 million in 2003. The earnings increase resulted from continued growth in loans and deposits, maintenance of a stable net interest margin and operational efficiencies. Net interest income for 2005 increased 8.0% over 2004 while the net interest margin remained stable at 4.16% compared to 4.18% for 2004.

Schedule 24

THE COMMERCE BANK OF WASHINGTON

	2005	2004	2003
PERFORMANCE RATIOS			
Return on average assets	1.57%	1.61%	1.47%
Return on average common equity	24.26%	22.89%	19.70%
Efficiency ratio	39.25%	37.31%	42.00%
Net interest margin	4.16%	4.18%	3.97%
OTHER INFORMATION			
Full-time equivalent employees	61	57	57
Domestic office:			
Traditional branch	1	1	1
ATMs	-	-	-

TCBW continued to grow in 2005 as total assets increased to \$789 million, up from \$726 million at December 31, 2004. Net loans increased to \$402 million, up from \$379 million at year-end 2004 and total deposits increased to \$442 million from \$417 million at the end of 2004. TCBW anticipates another year of steady growth in 2006 provided the local economy continues its modest recovery.

Other

"Other" includes the Parent and other various nonbanking subsidiaries, including non-bank financial services and financial technology subsidiaries and other smaller nonbank operating units, along with the elimination of transactions between segments. For 2005 the segment also includes The Commerce Bank of Oregon, which was opened during the fourth quarter of 2005 and had a *de minimus* impact on the Company's balance sheet and income statement for the year.

The net loss for the Other segment was \$21.2 million in 2005 compared to a net loss of \$21.8 million in 2004 and net income of \$29.2 million for 2003. Noninterest income for 2003 included net equity and fixed income securities gains of \$78.0 million and noninterest expense included debt extinguishment costs of \$24.2 million.

Schedule 25

OTHER

<i>(Amounts in millions)</i>	2005	2004	2003
CONDENSED INCOME STATEMENT			
Net interest income excluding hedge income	\$ (2.4)	(1.8)	(5.1)
Hedge income recorded directly in segment	1.4	2.1	-
Allocated hedge income	-	-	-
Net interest income	(1.0)	0.3	(5.1)
Noninterest income	4.9	3.2	87.2
Total revenue	3.9	3.5	82.1
Provision for loan losses	(0.3)	-	(1.0)
Noninterest expense	52.6	52.3	72.0
Income (loss) before income taxes and minority interest	(48.4)	(48.8)	11.1
Income tax benefit	(25.7)	(25.6)	(11.4)
Minority interest	(1.5)	(1.4)	(6.7)
Net income (loss)	\$ (21.2)	(21.8)	29.2
YEAR-END BALANCE SHEET DATA			
Total assets	\$ (1,120)	(572)	(518)
Net loans and leases	72	97	120
Allowance for loan losses	-	-	-
Goodwill, core deposit and other intangibles	1	(2)	(2)
Noninterest-bearing demand deposits	(113)	(9)	(14)
Total deposits	(1,220)	(1,220)	(1,156)
Common equity	(331)	147	(3)
OTHER INFORMATION			
Full-time equivalent employees	1,565	1,383	1,314
Domestic office:			
Traditional branch	1	-	-

The Company has invested in start-up and early-stage ventures through a variety of entities. Through certain subsidiary banks, the Company has principally made nonmarketable investments in a number of companies using four SBICs. No new SBICs have been started since 2001, and the Company is only selectively supporting existing SBIC investments; there are no plans to start additional SBICs. The Company recognized losses on these venture capital SBIC investments, net of expenses, income taxes and minority interest, of \$2.2 million in 2005, compared to losses of \$4.5 million and \$12.3 million in 2004 and 2003, respectively. These losses are included in noninterest income reported by the Parent and respective subsidiary banks.

The Company also selectively makes investments in financial services and financial technology ventures, either

through acquisition or through internal funding initiatives. The Company owns a significant position in IdenTrust, Inc. ("IdenTrust"), a company in which two unrelated venture capital firms also own significant positions and which provides, among other services, online identity authentication services and infrastructure. The Company subscribed to \$5.0 million of an equity funding round of approximately \$20 million that closed in 2005. IdenTrust continues to post operating losses and the Company recorded charges of \$1.8 million, \$4.1 million and \$6.0 million in 2005, 2004 and 2003, respectively, to reduce its recorded investment in the company. For 2005, \$0.6 million of the losses were recorded in Zions Bank and \$1.2 million in the Other segment. Of the 2004 charges, \$3.1 million was recorded in Zions Bank and \$1.0 million in the Other segment. All of the 2003 charges were recorded in the Zions Bank segment.

The Company continues to selectively invest in new, innovative products and ventures. Most notably the Company has funded the development of NetDeposit, Inc., a family of innovative check imaging and clearing products and services. See the Executive Summary section for a description of NetDeposit and related services. For 2005 net losses of NetDeposit included in the Other segment were \$7.4 million compared to losses of \$5.7 million for 2004 and \$4.2 million for 2003.

BALANCE SHEET ANALYSIS

Interest-Earning Assets

Interest-earning assets are those with interest rates or yields associated with them. Nonearning assets are those that do not directly generate any revenues for the Company. One of our goals is to maintain a high level of interest-earning assets, while keeping nonearning assets at a minimum.

Interest-earning assets consist of money market investments, securities and loans. Schedule 5, which we referred to in our discussion of net interest income, includes the average balances of the Company's interest-earning assets, the amount of revenue generated by them, and their respective yields. As shown in the schedule, average interest-earning assets in 2005 increased 8.8% to \$30.2 billion from \$27.7 billion in 2004. Average interest-earning assets comprised 89.7% of total average assets in 2005 compared with 89.6% in 2004. Average interest-earning assets in 2005

were 92.0% of average tangible assets compared with 91.7% in 2004.

Average money market investments, which consists of interest bearing deposits, Federal Funds sold and security resell agreements, decreased 32.5% in 2005 compared to 2004 as average loan growth exceeded deposit growth for the year and short-term borrowed funds were decreased.

Investment Securities Portfolio

We invest in securities both to generate revenues for the Company and to manage liquidity. Schedule 26 presents a profile of the Company's investment portfolios at December 31, 2005, 2004 and 2003. The amortized cost amounts represent the Company's original cost for the investments, adjusted for accumulated amortization or accretion of any yield adjustments related to the security. The estimated market values are the amounts that we believe the securities could be sold for as of the dates indicated.

Schedule 26

INVESTMENT SECURITIES PORTFOLIO

	December 31,					
	2005		2004		2003	
(In millions)	Amortized cost	Estimated market value	Amortized cost	Estimated market value	Amortized cost	Estimated market value
HELD TO MATURITY:						
Municipal securities	\$ 650	642	642	642	-	-
AVAILABLE FOR SALE:						
U.S. Treasury securities	42	43	36	36	42	43
U.S. government agencies and corporations:						
Small Business Administration loan-backed securities	786	782	712	711	738	741
Other agency securities	688	683	275	277	241	242
Municipal securities	266	267	95	96	715	718
Mortgage/asset-backed and other debt securities	3,311	3,308	2,743	2,760	2,351	2,368
	5,093	5,083	3,861	3,880	4,087	4,112
Other securities:						
Mutual funds	217	216	301	301	318	318
Stock	7	7	6	8	8	8
	224	223	307	309	326	326
	5,317	5,306	4,168	4,189	4,413	4,438
Total	\$ 5,967	5,948	4,810	4,831	4,413	4,438

The amortized cost of investment securities at year-end 2005 increased \$1.2 billion over 2004. The increase was mainly the result of the Amegy acquisition. Amegy reduced its securities portfolio during the fourth quarter of 2005, as reflected in Schedule 27.

Schedule 27

AMEGY INVESTMENT SECURITIES PORTFOLIO

	December 31, 2005		September 30, 2005 ¹	
(In millions)	Amortized cost	Estimated market value	Amortized cost	Estimated market value
Held to maturity	\$ -	-	47	47
Available for sale	1,169	1,170	1,876	1,846
Total securities	\$ 1,169	1,170	1,923	1,893

¹ As previously reported in the September 30, 2005 Form 10-Q as filed by Amegy Bancorporation, Inc.

The purpose of the portfolio shrinkage/restructuring at Amegy was to reduce the balance sheet and related capital use through the reduction of assets and liabilities that would produce marginal returns and have interest rate risk characteristics not consistent with the Company's strategies in

the post merger environment. Both the investment portfolio and most wholesale funding sources were reduced. Portfolio sales were targeted to reduce exposure in Agency MBS and Agency notes and make an overall reduction in portfolio duration. Amegy added \$300 million of receive fixed interest rate swap obligations to mitigate the resulting increase in asset sensitivity, consistent with other affiliate financial profiles.

During the first half of 2004, the Company transferred \$636 million of securities from available for sale to held to maturity, reflecting its intention not to sell or otherwise dispose of the investments prior to their maturity.

Schedule 28 also presents information regarding the investment securities portfolio. This schedule presents the maturities of the different types of investments that the Company owned as of December 31, 2005, and the corresponding average interest rates that the investments will yield if they are held to maturity. It should be noted that most of the Small Business Administration loan-backed securities and mortgage/asset-backed securities are variable rate and their repricing periods are significantly less than their contractual maturities. Also see "Liquidity Risk" on page 72 and also Notes 1, 4, and 7 of the Notes to Consolidated Financial Statements for additional information about the Company's investment securities and their management.

Schedule 28

MATURITIES AND AVERAGE YIELDS ON SECURITIES

AT DECEMBER 31, 2005

(Amounts in millions)	Total securities		Within one year		After one but within five years		After five but within ten years		After ten years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*
HELD TO MATURITY:										
Municipal securities	\$ 650	6.8%	\$ 61	6.6%	\$ 189	6.7%	\$ 204	6.8%	\$ 196	7.0%
AVAILABLE FOR SALE:										
U.S. Treasury securities	42	4.1	16	4.2	25	3.9	1	8.4	-	
U.S. government agencies and corporations:										
Small Business Administration loan-backed securities	786	5.0	175	5.0	395	5.0	162	5.0	54	5.0
Other agency securities	688	4.8	143	4.1	332	4.8	1	5.6	212	5.1
Municipal securities	266	6.0	3	7.9	13	7.0	43	5.9	207	5.9
Mortgage/asset-backed and other debt securities	3,311	5.7	294	4.9	619	4.9	261	5.3	2,137	6.0
	5,093	5.4	631	4.8	1,384	4.9	468	5.2	2,610	5.9
Other securities:										
Mutual funds	217	3.1	125	3.9	-		-		92	2.0
Stock	7	0.6	-		-		-		7	0.6
	224	3.0	125	3.9	-		-		99	1.9
	5,317	5.3	756	4.6	1,384	4.9	468	5.2	2,709	5.8
Total	\$ 5,967	5.5%	\$ 817	4.8%	\$ 1,573	5.1%	\$ 672	5.7%	\$ 2,905	5.9%

* Taxable-equivalent rates used where applicable.

The investment securities portfolio at December 31, 2005 includes \$1.0 billion of nonrated, fixed-income securities. Nonrated municipal securities held in the portfolio were created by Zions Bank's Public Finance Department. This Department includes operations in Utah, Idaho, Boston and Dallas, and also the operations of Kelling, Northcross and Nobriga in California, NSB Public Finance in Nevada and the public finance department of NBA in Arizona.

Schedule 29

NONRATED SECURITIES

(Book value in millions)	December 31,	
	2005	2004
Municipal securities	\$ 625	630
Asset-backed subordinated tranches, created from Zions' loans	207	169
Asset-backed subordinated tranches, not created from Zions' loans	120	152
Other nonrated debt securities	83	83
	\$ 1,035	1,034

In addition to the nonrated municipal securities, the portfolio includes nonrated, asset-backed subordinated tranches. The asset-backed subordinated tranches created from the Company's loans are mainly the subordinated retained interests of small business loan securitizations (the senior tranches of these securitizations are sold to Lockhart, a QSPE described further in "Off-Balance-Sheet Arrangements" on page 62). At December 31, 2005, these comprised \$207 million of the \$221 million set forth in Schedule 32. The tranches not created from the Company's loans are tranches of bank and insurance company Trust Preferred Collateral Debt Obligations. Investment securities also includes other nonrated debt securities, the majority of which were created by Zions Bank. Although the credit quality of these nonrated securities generally is high, it would be difficult to market them in a short period of time since they are not rated and there is no active trading market for them.

Loan Portfolio

As of December 31, 2005, net loans and leases accounted for 70.4% of total assets and 74.0% of tangible assets. Schedule 30 presents the Company's loans outstanding by type of loan as of the five most recent year-ends. The schedule also includes a maturity profile for the loans that were outstanding as of

December 31, 2005. However, while this schedule reflects the contractual maturity and repricing characteristics of these loans, in many cases the Company has hedged the repricing characteristics of its variable-rate loans as more fully described in "Interest Rate Risk" on page 69.

Schedule 30

LOAN PORTFOLIO BY TYPE AND MATURITY

(In millions)	December 31, 2005				December 31,			
	One year or less	One year through five years	Over five years	Total	2004	2003	2002	2001
Loans held for sale	\$ 9	91	156	256	197	177	289	298
Commercial lending:								
Commercial and industrial	3,073	2,983	1,136	7,192	4,643	4,111	4,124	3,921
Leasing	27	238	108	373	370	377	384	421
Owner occupied	458	775	3,592	4,825	3,790	3,319	3,018	2,344
Total commercial lending	3,558	3,996	4,836	12,390	8,803	7,807	7,526	6,686
Commercial real estate:								
Construction	3,756	1,924	412	6,092	3,536	2,867	2,947	2,874
Term	686	1,464	2,490	4,640	3,998	3,402	3,175	3,027
Total commercial real estate	4,442	3,388	2,902	10,732	7,534	6,269	6,122	5,901
Consumer:								
Home equity credit line	60	193	873	1,126	1,104	838	651	401
1-4 family residential	250	880	3,678	4,808	4,234	3,874	3,209	3,173
Bankcard and other revolving plans	88	94	25	207	225	198	205	126
Other	149	320	68	537	532	749	1,000	707
Total consumer	547	1,487	4,644	6,678	6,095	5,659	5,065	4,407
Foreign loans	1	4	-	5	5	15	5	14
Other receivables	110	54	27	191	98	90	126	107
Total loans	\$ 8,667	9,020	12,565	30,252	22,732	20,017	19,133	17,413
Loans maturing in more than one year:								
With fixed interest rates		\$ 3,055	3,108	6,163				
With variable interest rates		5,965	9,457	15,422				
Total		\$ 9,020	12,565	21,585				

Schedule 31 reflects Amegy loans outstanding by loan type at December 31, 2005. These loans are included in Schedule 30.

Schedule 31

AMEGY LOAN PORTFOLIO

(In millions)	December 31, 2005
Loans held for sale	\$ 91
Commercial lending:	
Commercial and industrial	2,201
Leasing	-
Owner occupied	375
Total commercial lending	2,576
Commercial real estate:	
Construction	1,456
Term	435
Total commercial real estate	1,891
Consumer:	
Home equity credit line	28
1-4 family residential	658
Bankcard and other revolving plans	15
Other	103
Total consumer	804
Foreign loans	1
Other receivables	41
Total loans	\$ 5,404

Loan growth was strong in most of the banking subsidiaries during 2005 as previously discussed in “Business Segment Results” beginning on page 45. Partially offsetting this loan growth was \$1.2 billion in securitized loan sales, including a \$707 million securitization of small business loans by Zions Bank in the third quarter of 2005, see Schedule 32. During 2004, the Company securitized and sold \$996 million in loans. We expect that loan growth will continue in 2006 in all of our subsidiary banks. However, the rate of growth that we experienced in 2005 may not be sustainable throughout 2006.

Sold Loans Being Serviced

The Company performs loan servicing operations on both loans that it holds in its portfolios as well as loans that are owned by third party investor-owned trusts. Servicing loans includes:

- collecting loan and, in certain instances, insurance and property tax payments from the borrowers;

- monitoring adequate insurance coverage;
- maintaining documentation files in accordance with legal, regulatory and contractual guidelines; and
- remitting payments to third party investor trusts and, where required, for insurance and property taxes.

The Company receives a fee for performing loan servicing for third parties. Failure by the Company to service the loans in accordance with the contractual requirements of the servicing agreements may lead to the termination of the servicing contract and the loss of future servicing fees.

Schedule 32

SOLD LOANS BEING SERVICED

(In millions)	2005		2004		2003	
	Sales	Outstanding at year-end	Sales	Outstanding at year-end	Sales	Outstanding at year-end
Home equity credit lines	\$ 408	456	296	447	327	446
Small business loans	707	2,341	605	2,001	587	1,699
SBA 7(a) loans	16	179	53	230	69	227
Farmer Mac	69	407	42	388	81	410
Total	\$ 1,200	3,383	996	3,066	1,064	2,782

(In millions)	Residual interests on balance sheet at December 31, 2005			Residual interests on balance sheet at December 31, 2004		
	Subordinated retained interests	Capitalized residual cash flows	Total	Subordinated retained interests	Capitalized residual cash flows	Total
Home equity credit lines	\$ 13	7	20	11	8	19
Small business loans	221	101	322	182	93	275
SBA 7(a) loans	-	4	4	-	6	6
Farmer Mac	-	6	6	-	8	8
Total	\$ 234	118	352	193	115	308

The Company has a practice of securitizing and selling a portion of the loans that it originates. In many instances, we provide the servicing on these loans as a condition of the sale. Schedule 32 summarizes the sold loans (other than conforming long-term first mortgage real estate loans) that the Company was servicing as of the dates indicated and the related loan sales activity. As of December 31, 2005, conforming long-term first mortgage real estate loans being serviced for others was \$1,274 million compared with \$404 million at the same date in 2004. The increase is mainly attributable to Amegy which serviced \$763 million of these loans at the end of 2005. Small business, consumer and other sold loans being serviced totaled \$3.4 billion at the end of

2005 compared to \$3.1 billion at the end of 2004. See Notes 1 and 6 of the Notes to Consolidated Financial Statements for additional information on asset securitizations.

Although it performs the servicing, the Company exerts no control nor does it have any equity interest in any of the trusts that own the securitized loans. However, as of December 31, 2005, the Company had recorded assets in the amount of \$352 million in connection with sold loans being serviced of \$3.4 billion. As is a common practice with securitized transactions, the Company had retained subordinated interests in the securitized assets amounting to \$234 million at December 31, 2005, representing junior positions to the other investors in the trust securities. The capitalized residual cash flows, which is sometimes referred to as “excess servicing,” of \$118 million primarily represent the present value of the excess cash flows that have been projected over the lives of the sold loans. These excess cash flows are subject to prepayment risk, which is the risk that a loan will be paid prior to its contractual maturity. When this occurs, any remaining excess cash flows that are associated with the loan must be reduced. See Note 6 of the Notes to Consolidated Financial Statements for more information on assets securitizations.

Other Earning Assets

As of December 31, 2005, the Company had \$939 million of other noninterest-bearing investments compared with \$665 million in 2004. The increase in other noninterest-bearing investments is mainly a result of the Amegy acquisition. At December 31, 2005, Amegy had \$222 million of other noninterest-bearing investments, including \$183 million of bank-owned life insurance and \$24 million of Federal Home Loan Bank and Federal Reserve stock.

Schedule 33

OTHER NONINTEREST-BEARING INVESTMENTS

(In millions)	December 31,	
	2005	2004
Bank-owned life insurance	\$ 605	385
Federal Home Loan Bank and Federal Reserve stock	153	124
SBIC investments	75	70
Other public companies	39	40
Other nonpublic companies	47	30
Trust preferred securities	20	16
	\$ 939	665

The investments in publicly traded companies are accounted for using the equity method of accounting and are set forth in Schedule 34.

Schedule 34

INVESTMENTS IN OTHER PUBLIC COMPANIES

(In millions)	Symbol	December 31, 2005		
		Carrying value	Market value	Unrealized gain (loss)
COMPANY				
Federal Agricultural Mortgage Corporation (Farmer Mac)	AGM/A	\$ 6	7	1
Federal Agricultural Mortgage Corporation (Farmer Mac)	AGM	21	33	12
Quotesmith.com, Inc.	QUOT	12	7	(5)
Total publicly traded equity investments		\$ 39	47	8

Deposits and Borrowed Funds

Deposits, both interest bearing and noninterest-bearing, are a primary source of funding for the Company. Schedule 5 summarizes the average deposit balances for the past five years, along with their respective interest costs and average interest rates. Average noninterest-bearing deposits increased 18.3% in 2005 over 2004, while interest bearing deposits increased 10.2% during the same time period.

See “Liquidity Risk” on page 72 for information on funding and borrowed funds. Also, see Notes 11, 12 and 13 of the Notes to Consolidated Financial Statements for additional information on borrowed funds.

Off-Balance-Sheet Arrangements

Zions Bank provides a Liquidity Facility for a fee to a QSPE securities conduit, Lockhart, which purchases U.S. Government and AAA-rated securities, which are funded through the issuance of its commercial paper. At December 31, 2005 approximately 39% of the AAA-rated securities held by Lockhart were created by the Company's securitization of small business loans, as previously discussed. Zions Bank also receives a fee in exchange for providing hedge support and administrative and investment advisory services. Under the terms of the Liquidity Facility, if certain conditions arise, Zions Bank is required to purchase securities from Lockhart to provide funds and enable it to repay maturing commercial paper. Lockhart is an important source of funding for the Company's loans and is not consolidated in the Company's financial statements. See "Liquidity Management Actions" on page 74 and Note 6 of the Notes to Consolidated Financial Statements for additional information on Lockhart.

RISK ELEMENTS

Since risk is inherent in substantially all of the Company's operations, management of risk is integral to its operations and is also a key determinant of its overall performance. We apply various strategies to reduce the risks to which the Company's operations are exposed, namely credit, interest rate and market, liquidity and operational risks.

Credit Risk Management

Credit risk is the possibility of loss from the failure of a borrower or contractual counterparty to fully perform under the terms of a credit-related contract. Credit risk arises primarily from the Company's lending activities, as well as from other on- and off-balance-sheet credit instruments.

Effective management of credit risk is essential in maintaining a safe, sound and profitable financial institution. We have structured the organization to separate the lending function from the credit administration function, which has added strength to the control over, and independent evaluation of, credit activities. Formal loan policies and procedures provide the Company with a framework for consistent underwriting and a basis for sound credit decisions. In addition, the Company has a well-defined set of standards

for evaluating its loan portfolio, and management utilizes a comprehensive loan grading system to determine the risk potential in the portfolio. Further, an independent internal credit examination department periodically conducts examinations of the Company's lending departments. These examinations are designed to review the quality, documentation, administration and compliance with lending policies and reports thereon are submitted to a committee of the Board of Directors. Both the credit policy and the credit examination functions are managed centrally. Each bank is able to modify corporate credit policy to be more conservative; however, corporate approval must be obtained if a bank wishes to create a more liberal exception to policy. Only a limited number of such exceptions have been approved. This entire process has been designed to place an emphasis on early detection of potential problem credits so that action plans can be developed and implemented on a timely basis to mitigate any potential losses.

With regard to credit risk associated with counterparties in off-balance-sheet credit instruments, Zions Bank has International Swap Dealer Association ("ISDA") agreements in place under which derivative transactions are entered into with major derivative dealers. Each ISDA agreement details the collateral arrangement between Zions Bank and its counterparty. In every case, the amount of the collateral required to secure the exposed party in the derivative transaction is determined by the mark-to-market exposure on the derivative and the credit rating of the party with the obligation. The credit rating used in these situations is provided by either Moody's or Standard and Poor's. This means that counterparty with a "AAA" rating would be obligated to provide less collateral to secure a major credit exposure to Zions Bank than one with an "A" rating. All derivative gains and losses between Zions Bank and a single counterparty are netted to determine the net credit exposure and therefore the collateral required.

Another aspect of the Company's credit risk management strategy is to pursue the diversification of the loan portfolio. As displayed in Schedule 35, at year-end 2005 no single loan type exceeded 23.8% of the Company's total loan portfolio.

Schedule 35

LOAN PORTFOLIO DIVERSIFICATION

(Amounts in millions)	December 31, 2005		December 31, 2004	
	Amount	% of total loans	Amount	% of total loans
Commercial lending:				
Commercial and industrial	\$ 7,192	23.8%	\$ 4,643	20.4%
Leasing	373	1.2	370	1.6
Owner occupied	4,825	16.0	3,790	16.7
Commercial real estate:				
Construction	6,092	20.1	3,536	15.6
Term	4,640	15.3	3,998	17.6
Consumer:				
Home equity credit line	1,126	3.7	1,104	4.9
1-4 family residential	4,808	15.9	4,234	18.6
Bankcard and other revolving plans	207	0.7	225	1.0
Other	537	1.8	532	2.3
Other receivables	452	1.5	300	1.3
Total loans	\$ 30,252	100.0%	\$ 22,732	100.0%

In addition, as reflected in Schedule 36, as of December 31, 2005, the commercial real estate loan portfolio totaling \$10.7 billion is also well diversified by property type and collateral location.

Schedule 36

COMMERCIAL REAL ESTATE PORTFOLIO BY PROPERTY TYPE AND COLLATERAL LOCATION (REPRESENTS PERCENTAGES BASED UPON OUTSTANDING COMMERCIAL REAL ESTATE LOANS)

AT DECEMBER 31, 2005

Loan Type	Collateral Location								Product as a % of total CRE	Product as a % of loan type
	Arizona	Northern California	Southern California	Nevada	Colorado	Texas (Amegy) ¹	Utah / Idaho	Washington	Other	
<i>Commercial term:</i>										
Industrial	0.71%	0.49	1.98	0.03	0.52	0.61	0.19	0.27	0.18	4.98
Office	1.52	0.37	2.80	1.98	1.01	0.70	1.66	0.07	0.97	11.08
Retail	0.99	0.69	1.86	1.42	0.27	1.50	0.28	0.12	0.09	7.22
Hotel/motel	1.10	0.32	0.66	0.45	0.27	0.30	0.97	0.09	0.78	4.94
Acquisition and development	0.18	0.06	0.21	0.61	0.10	-	0.30	0.24	-	1.70
Medical	0.48	0.17	0.33	0.50	0.01	0.10	0.13	0.01	0.02	1.75
Recreation/restaurant	0.36	0.08	0.39	0.16	0.07	0.12	0.08	-	0.23	1.49
Multifamily	0.33	0.23	1.60	0.32	0.27	0.94	0.56	0.08	0.21	4.54
Other	0.77	0.21	2.77	0.89	0.31	0.63	0.56	0.09	0.68	6.91
Total commercial term	6.44	2.62	12.60	6.36	2.83	4.90	4.73	0.97	3.16	44.61
<i>Residential construction:</i>										
Single family housing	4.48	1.00	4.27	0.81	0.96	3.04	2.52	0.01	1.27	18.36
Acquisition and development	3.24	0.87	2.77	1.32	0.57	0.14	0.96	0.05	0.71	10.63
Total residential construction	7.72	1.87	7.04	2.13	1.53	3.18	3.48	0.06	1.98	28.99
<i>Commercial construction:</i>										
Industrial	0.29	-	0.08	1.24	0.25	0.34	0.06	0.28	0.01	2.55
Office	0.38	0.14	0.53	0.62	0.06	1.35	0.06	0.02	0.07	3.23
Retail	1.65	0.06	0.56	0.89	0.11	2.01	0.31	0.05	0.49	6.13
Hotel/motel	0.32	-	0.01	0.06	0.03	0.20	0.23	-	0.09	0.94
Acquisition and development	0.88	0.02	0.67	1.17	0.24	3.37	0.11	0.07	0.17	6.70
Medical	0.25	-	0.01	0.24	0.02	0.07	0.04	-	-	0.63
Recreation/restaurant	0.03	-	-	0.01	-	-	-	-	-	0.04
Other	0.27	-	-	0.08	0.02	0.15	0.07	0.09	0.05	0.73
Apartments	0.11	0.88	1.11	0.44	0.61	1.88	0.11	0.16	0.15	5.45
Total commercial construction	4.18	1.10	2.97	4.75	1.34	9.37	0.99	0.67	1.03	26.40
Total construction	11.90	2.97	10.01	6.88	2.87	12.55	4.47	0.73	3.01	55.39
Total commercial real estate	18.34%	5.59	22.61	13.24	5.70	17.45	9.20	1.70	6.17	100.00

¹ Includes all Amegy loans. Information to determine the collateral location for Amegy loans was not available.

Note: Schedule includes total commercial real estate loans of \$10,732 million (included in Schedule 35) less approximately \$418 million of unsecured loans outstanding, but related to the real estate industry.

Loan-to-value (“LTV”) ratios are another key determinant of credit risk in commercial real estate lending. The Company estimates that the weighted average LTV ratio on the total portfolio detailed in Schedule 36, excluding Amegy, was approximately 59.1% estimated as of June 30, 2005. This estimate is based on the most current appraisals, generally obtained as of the date of origination or renewal of the loans.

The Company’s concentration in owner-occupied commercial loans is substantially reduced by the emphasis we place on lending programs sponsored by the Small Business Administration. On these types of loans, the Small Business Administration bears a major portion of the credit risk.

In addition, the Company attempts to avoid the risk of an undue concentration of credits in a particular industry, trade group or property type. The Company also has no significant exposure to highly-leveraged transactions. In addition, the majority of the Company’s business activity is with customers located within the states of Utah, California, Texas, Arizona, Nevada, Colorado, Idaho and Washington. Finally, the Company has no significant exposure to any individual customer or counterparty. See Note 5 of the Notes to Consolidated Financial Statements for further information on concentrations of credit risk.

Nonperforming Assets

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

The Company’s nonperforming assets as a percentage of net loans and leases and other real estate owned continued to improve during 2005. The percentage was 0.30% at

December 31, 2005 compared with 0.37% on December 31, 2004. Total nonperforming assets were \$89 million at year-end 2005 (including \$17 million of Amegy nonperforming assets), compared to \$84 million at December 31, 2004 and \$98 million at December 31, 2003. Internal loan classification measures also have continued to reflect strong credit quality during 2005.

Schedule 37

NONPERFORMING ASSETS

(Amounts in millions)	December 31,				
	2005	2004	2003	2002	2001
Nonaccrual loans:					
Commercial lending:					
Commercial and industrial	\$ 21	24	36	29	40
Leasing	-	1	2	11	6
Owner occupied	16	22	15	14	18
Commercial real estate:					
Construction	17	1	7	7	12
Term	3	4	3	4	20
Consumer:					
Real estate	9	13	11	11	9
Other	2	4	3	4	2
Other	1	3	1	2	2
Restructured loans:					
Commercial real estate:					
Construction	-	-	1	1	1
Term	-	-	-	1	-
Other real estate owned:					
Commercial:					
Improved	8	9	12	23	4
Unimproved	3	-	4	3	2
1-4 family residential	9	3	3	6	4
Total	\$ 89	84	98	116	120
% of net loans* and leases and other real estate owned	0.30%	0.37%	0.49%	0.61%	0.69%
Accruing loans past due 90 days or more:					
Commercial lending	\$ 7	6	10	13	22
Commercial real estate	4	2	3	10	13
Consumer	6	8	11	12	11
Other receivables	-	-	-	2	-
Total	\$ 17	16	24	37	46
% of net loans* and leases	0.06%	0.07%	0.12%	0.20%	0.27%

* Includes loans held for sale.

Included in nonaccrual loans are loans that we have determined to be impaired. Loans, other than those included in large groups of smaller-balance homogeneous loans, are considered impaired when, based on current information and

events, it is probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. The amount of the impairment is measured based on either the present value of expected cash flows, the observable market value of the loan, or the fair value of the collateral securing the loan.

The Company's total recorded investment in impaired loans was \$31 million at December 31, 2005 and \$41 million at December 31, 2004. Estimated losses on impaired loans are added to the allowance for loan losses through the provision for loan losses. At December 31, 2005, the allowance included \$3 million for impaired loans with a \$14 million recorded investment. At December 31, 2004, the allowance for loan losses included \$9 million for impaired loans with a recorded investment of \$27 million. See Note 5 of the Notes to Consolidated Financial Statements for additional information on impaired loans.

Allowances for Credit Losses

Allowance for Loan Losses: In analyzing the adequacy of the allowance for loan losses, we utilize a comprehensive loan grading system to determine the risk potential in the portfolio and also consider the results of independent internal credit reviews. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type.

For commercial loans, we use historical loss experience factors by loan segment, adjusted for changes in trends and conditions, to help determine an indicated allowance for each portfolio segment. These factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific segment. These other considerations include:

- volumes and trends of delinquencies;
- levels of nonaccruals, repossessions and bankruptcies;
- trends in criticized and classified loans;
- expected losses on real estate secured loans;
- new credit products and policies;
- economic conditions;
- concentrations of credit risk; and
- experience and abilities of the Company's lending personnel.

In addition to the segment evaluations, all loans graded substandard or doubtful with an outstanding balance of \$500,000 or more are individually evaluated based on facts and circumstances of the loan to determine if a specific allowance amount may be necessary. Specific allowances also may be established for loans whose outstanding balances are below the \$500,000 threshold when it is determined that the risk associated with the loan differs significantly from the risk factor amounts established for its loan segment.

Until the second quarter of 2004, the allowance for consumer loans was also determined using historical loss experience factors by loan segment, adjusted for changes in trends and conditions, similar to that used for the commercial portfolio. However, during the second quarter of 2004, a new methodology for evaluating the allowance, as it relates to homogeneous consumer loan products, was implemented. Specifically, using historical experience we developed rates at which loans migrate from one delinquency level to the next higher level. Using average roll rates for the most recent twelve-month period and comparing projected losses to actual loss experience, the model estimates expected losses in dollars for the forecasted period. By refreshing the model with updated data, it is able to project losses for a new twelve-month period each month, segmenting the portfolio into nine product groupings with similar risk profiles. This new methodology is an accepted industry practice, and the Company believes it has a sufficient volume of information to produce reliable projections. At the time of its adoption, this change in the methodology did not have a significant impact on the level of the indicated reserve for the consumer portfolio.

After a preliminary allowance for credit losses has been established for the loan portfolio segments, we perform an additional review of the adequacy of the allowance based on the loan portfolio in its entirety. This enables us to mitigate the imprecision inherent in most estimates of expected credit losses and also supplements the allowance. This supplemental portion of the allowance includes our judgmental consideration of any additional amounts necessary for subjective factors such as economic uncertainties and excess concentration risks.

As previously discussed, because the Amegy merger closed near year-end, the methodology used by Amegy to estimate its allowance for loan losses at December 31, 2005, was not conformed to the process used by the other affiliate

banks. However, the process used by Amegy is not significantly different than the process used by our other affiliate banks.

Schedule 38 summarizes the Company's loan loss experience by major portfolio segment.

Schedule 38

SUMMARY OF LOAN LOSS EXPERIENCE

(Amounts in millions)

	2005	2004	2003	2002	2001
Loans* and leases outstanding on December 31, (net of unearned income)	\$ 30,127	22,627	19,920	19,040	17,311
Average loans* and leases outstanding (net of unearned income)	\$ 24,009	21,046	19,325	18,114	16,015
Allowance for loan losses:					
Balance at beginning of year	\$ 271	269	280	260	196
Allowance of companies acquired	49	-	-	1	30
Allowance associated with repurchased revolving securitized loans	-	-	-	10	-
Allowance of loans sold with branches	-	(2)	-	-	-
Provision charged against earnings	43	44	70	72	73
Loans and leases charged-off:					
Commercial lending	(20)	(35)	(56)	(54)	(37)
Commercial real estate	(3)	(1)	(3)	(10)	(4)
Consumer	(19)	(23)	(27)	(20)	(14)
Other receivables	(1)	(1)	-	-	-
Total	(43)	(60)	(86)	(84)	(55)
Recoveries:					
Commercial lending	12	15	12	14	11
Commercial real estate	1	-	-	3	1
Consumer	5	5	5	4	4
Total	18	20	17	21	16
Net loan and lease charge-offs	(25)	(40)	(69)	(63)	(39)
	338	271	281	280	260
Reclassification of allowance for unfunded lending commitments	-	-	(12)	-	-
Balance at end of year	\$ 338	271	269	280	260
Ratio of net charge-offs to average loans and leases	0.10%	0.19%	0.36%	0.35%	0.24%
Ratio of allowance for loan losses to net loans and leases outstanding on December 31,	1.12%	1.20%	1.35%	1.47%	1.50%
Ratio of allowance for loan losses to nonperforming loans on December 31,	489.74%	374.42%	338.31%	332.37%	236.65%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more on December 31,	394.08%	307.61%	262.21%	234.14%	168.23%

* Includes loans held for sale.

Schedule 39 provides a breakdown of the allowance for loan losses, the allocation among the portfolio segments and the amount that has not been specifically allocated. No

significant changes took place in the past four years in the allocation of the allowance for loan losses, reflecting the mix of the loan portfolio and the levels of nonperforming assets.

Schedule 39

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

AT DECEMBER 31,

	2005		2004		2003		2002		2001	
(Amounts in millions)	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of Allowance
Type of Loan										
Loans held for sale	0.8%	\$ 2	0.9%	\$ 3	0.9%	\$ 2	1.5%	\$ 2	1.7%	\$ 2
Commercial lending	41.0	162	38.7	134	39.1	130	39.3	132	38.5	123
Commercial real estate	35.5	129	33.2	95	31.3	90	32.0	91	33.9	89
Consumer	22.1	43	26.8	38	28.3	45	26.5	42	25.3	35
Other receivables	0.6	2	0.4	1	0.4	2	0.7	2	0.6	2
Total loans	100.0%		100.0%		100.0%		100.0%		100.0%	
Off-balance-sheet unused commitments and standby letters of credit ¹		-		-		-		10		8
Total allocated		338		271		269		279		259
Unallocated		-		-		-		1		1
Total allowance for loan losses		\$ 338		\$ 271		\$ 269		\$ 280		\$ 260

¹ In 2003 the potential credit losses related to undrawn commitments to extend credit were reclassified and included in other liabilities.

As reflected in Schedule 39, the allowance for loan losses at December 31, 2005 increased by \$67 million from year-end 2004. The increase includes a \$49 million allowance of Amegy at year-end 2005. Schedule 40 shows the changes in the allocated allowance categorized by loan type excluding Amegy.

Schedule 40

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES WITHOUT AMEGY

	2005 without Amegy		2004		Increase (decrease)
(Amounts in millions)	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	Allocation of allowance
Type of Loan					
Loans held for sale	0.7%	\$ 2	0.9%	\$ 3	\$ (1)
Commercial lending	39.5	136	38.7	134	2
Commercial real estate	35.6	116	33.2	95	21
Consumer	23.6	33	26.8	38	(5)
Other receivables	0.6	2	0.4	1	1
Total loans	100.0%		100.0%		
Total allowance for loan losses		\$ 289		\$ 271	\$ 18

Excluding Amegy, the allowance attributable to the commercial loan portfolio increased \$23 million during 2005 compared to an increase of \$9 million during 2004. The Company experienced substantial improvements in the level of its criticized and classified loans during 2004 which resulted in the amounts of the allowance indicated for criticized and classified loans decreasing by approximately \$19 million. For 2005 the amount of the allowance indicated for criticized and classified commercial loans increased \$0.2 million. The level of the allowance for noncriticized and classified commercial loans increased \$23 million for 2005 compared to an increase of \$28 million for 2004. The increase in level of the allowance for indicated for noncriticized and classified loans for both 2005 and 2004 was mainly a result of \$2.3 billion of new commercial and commercial real estate loan growth during 2005, excluding Amegy loans, and \$2.3 billion of growth during 2004.

The allowance for consumer loans at year-end 2005, excluding Amegy, decreased by \$5 million when compared to the allowance at the end of 2004. This decrease in the consumer allowance was mainly due to a decrease in outstanding consumer loans. Excluding Amegy loans, the Company's consumer loans decreased by \$221 million during 2005.

Allowance for Unfunded Lending Commitments: The Company also estimates an allowance for potential losses associated with off-balance-sheet commitments and standby letters of credit. Prior to December 31, 2003, this allowance was included in the overall allowance for loan losses. It is now included with other liabilities in the Company's consolidated balance sheet, with any related increases or decreases in the allowance included in noninterest expense in the consolidated statement of income.

We determine the allowance for unfunded lending commitments using a process that is similar to the one we use for commercial loans. Based on historical experience, we have developed experience-based loss factors that we apply to the Company's unfunded lending commitments to estimate the potential for loss in that portfolio. These factors are generated from tracking commitments that become funded and develop into problem loans.

Schedule 41 sets forth the allowance for unfunded lending commitments.

Schedule 41

ALLOWANCE FOR UNFUNDED LENDING COMMITMENTS

<i>(In thousands)</i>	December 31,	
	2005	2004
Balance at beginning of year	\$ 12,682	12,215
Allowance of company acquired	2,013	-
Provision charged against earnings	3,425	467
Balance at end of year	\$ 18,120	12,682

Schedule 42 sets forth the combined allowances for credit losses.

Schedule 42

COMBINED ALLOWANCES FOR CREDIT LOSSES

<i>(In millions)</i>	December 31,		
	2005	2004	2003
Allowance for loan losses	\$ 338	271	269
Allowance for unfunded lending commitments	18	13	12
Total allowances for credit losses	\$ 356	284	281

Interest Rate and Market Risk Management

Interest rate risk is the potential for loss resulting from adverse changes in the level of interest rates on the Company's net interest income. Market risk is the potential for loss arising from adverse changes in the prices of fixed income securities, equity securities, other earning assets and derivative financial instruments as a result of changes in interest rates or other factors. As a financial institution that engages in transactions involving an array of financial products, the Company is exposed to both interest rate risk and market risk.

The Company's Board of Directors is responsible for approving the overall policies relating to the management of the financial risk of the Company. The Boards of Directors of the Company's subsidiary banks are also required to review and approve these policies. In addition, the Board must understand the key strategies set by management for managing risk, establish and periodically revise policy limits and review reported limit exceptions. The Board has

established the Asset/Liability Committee (“ALCO”) to which it has delegated the functional management of financial risk for the Company. ALCO’s primary responsibilities include:

- Recommending policies to the Board and administering Board-approved policies that govern and limit the Company’s exposure to all financial risks, including policies that are designed to limit the Company’s exposure to changes in interest rates;
- Approving the procedures that support the Board-approved policies;
- Maintaining management’s policies dealing with financial risk;
- Approving all material interest rate risk management strategies, including all hedging strategies and actions taken pursuant to managing interest rate risk and monitoring risk positions against approved limits;
- Approving trading limits and all financial derivative positions taken at both the parent and subsidiaries for the purpose of hedging the Company’s financial risks;
- Reviewing and approving interest rate paths and balance sheet scenarios to evaluate risks;
- Providing the basis for integrated balance sheet, net interest income and liquidity management;
- Calculating the duration, dollar duration, and convexity of each class of assets, liabilities, and net equity, given defined interest rate scenarios;
- Managing the Company’s exposure to changes in net interest income and market value of equity due to interest rate fluctuations; and
- Quantifying the effects of hedging instruments on the market value of equity and net interest income under defined interest rate scenarios.

Interest Rate Risk

Interest rate risk is one of the most significant risks to which the Company is regularly exposed. In general, our goal in managing interest rate risk is to have net interest income increase in a rising interest rate environment, which tends to mitigate any declines in the market value of equity due to higher discount rates. We refer to this goal as being slightly “asset sensitive.” This approach is based on our belief that in a rising interest rate environment, the market cost of equity, or implied rate at which future earnings are discounted, would also tend to rise. We monitor this risk through the use of two

complementary measurement methods: duration of equity and income simulation. In the duration of equity method, we measure the changes in the market values of equity in response to changes in interest rates. In the income simulation method, we analyze the changes in income in response to changes in interest rates.

Duration of equity is derived by first calculating the dollar duration of all assets, liabilities and derivative instruments. Dollar duration is determined by calculating the market value of each instrument assuming interest rates sustain immediate and parallel movements up 1% and down 1%. The average of these two changes in market value is the dollar duration. Subtracting the dollar duration of liabilities from the dollar duration of assets and adding the net dollar duration of derivative instruments results in the dollar duration of equity. Duration of equity is computed by dividing the dollar duration of equity by the market value of equity.

Income simulation is an estimate of the net interest income that would be recognized under different rate environments. Net interest income is measured under several parallel and nonparallel interest rate environments, taking into account an estimate of the possible exercise of options within the portfolio.

Both of these measurement methods require that we assess a number of variables and make various assumptions in managing the Company’s exposure to changes in interest rates. The assessments address loan and security prepayments, early deposit withdrawals, and other embedded options and noncontrollable events. As a result of uncertainty about the maturity and repricing characteristics of both deposits and loans, the Company estimates ranges of duration and income simulation under a variety of assumptions and scenarios. The Company’s interest rate risk position changes as the interest rate environment changes and is managed actively to try to maintain a consistent slightly asset sensitive position. However, positions at the end of any period may not be reflective of the Company’s position in any subsequent period.

At year-end 2005, the Company’s duration of equity was estimated to be within a range of negative 0.2 years and positive 2.3 years. We should note that duration of equity is highly sensitive to the assumptions used for deposits that do not have specific maturities, such as checking, savings and

money market accounts and also to prepayment assumptions used for loans with prepayment options. Given the uncertainty of these durations, we view the duration of equity as falling within a range of possibilities. If interest rates were to sustain an immediate parallel increase of 200 basis points, the duration of equity would be estimated to fall within the range of 1.2 years and 3.8 years.

For income simulation, Company policy requires that interest sensitive income from a static balance sheet be expected to decline by no more than 10% during one year if rates were to immediately rise or fall in parallel by 200 basis points. At year-end 2005, interest sensitive income was expected to decline up to 1.1% and increase up to 2.4% if interest rates were to sustain an immediate parallel increase of 200 basis points and decline between 0.7% and 4.5% if rates were to sustain an immediate parallel decrease of 200 basis points. At year-end 2004, interest sensitive income was expected to increase between 0.4% and 1.9% if rates were to increase in parallel 200 basis points and decline between 3.9% and 4.4% if rates were to decrease in parallel 200 basis points. These estimates include management's assumptions regarding loan and deposit pricing, security and loan prepayments, and changing relationships to market rates.

We attempt to control the effects that changes in interest rates will have on net interest income through the management of maturities and repricing of the Company's assets and liabilities and also with the use of interest rate swaps. The prime lending rate and the London Interbank Offer Rate ("LIBOR") curves are the primary indices used for pricing the Company's loans, and the 91-day Treasury bill rate is the index used for pricing many of the Company's liabilities. The Company does not hedge the prime/LIBOR/Treasury Bill spread risk through the use of derivative instruments.

Our focus on business banking also plays a significant role in determining the nature of the Company's asset-liability management posture. At the end of 2005, approximately 75% of the Company's commercial loan and commercial real estate portfolios were floating rate and tied to either Prime or LIBOR. In addition, certain of our consumer loans also have floating interest rates. This means that these loans reprice quickly in response to changes in interest rates — more quickly on average than does their funding base. This posture results in a naturally "asset-sensitive" position.

It is our belief that the Company's core banking business leads naturally to a position that is too highly asset sensitive. The Company attempts to mitigate this tendency toward asset sensitivity primarily through the use of interest rate swaps. We have contracted to convert most of the Company's fixed-rate debt into floating-rate debt (see fair value hedges in Schedule 43). More importantly, we engage in an ongoing program of swapping prime-based loans and other variable-rate assets for "receive fixed" contracts. At year-end 2005, the Company had a notional amount of approximately \$3.0 billion of such cash flow hedge contracts. During 2006, approximately \$40 million of these swaps will mature, and are expected to be replaced with new swaps. The Company expects to continue to add new "receive fixed" swap contracts as its prime-based loan portfolio grows. These swaps also expose the Company to counterparty risk, which is a type of credit risk. The Company's approach to managing this risk is discussed in "Credit Risk Management" on page 62.

Schedule 43 presents a profile of the current interest rate swap portfolio. For additional information regarding derivative instruments, including fair values at December 31, 2005, refer to Notes 1 and 7 of the Notes to Consolidated Financial Statements.

Schedule 43

INTEREST RATE SWAPS – YEAR-END BALANCES AND AVERAGE RATES

<i>(Amounts in millions)</i>	2006	2007	2008	2009	2010	Thereafter
Cash flow hedges ¹ :						
Notional amount	\$ 2,996	2,910	2,110	910		
Weighted average rate received	6.58%	6.64	6.63	7.24		
Weighted average rate paid	7.85	7.72	7.71	7.80		
Fair Value hedges ¹ :						
Notional amount	\$ 1,300	1,300	1,300	1,300	1,300	1,300
Weighted average rate received	5.72%	5.72	5.72	5.72	5.72	5.72
Weighted average rate paid	4.99	4.91	4.95	5.02	5.04	5.05
Nonhedges:						
Receive fixed rate/pay variable rate:						
Notional amount	\$ 221	127				
Weighted average rate received	4.17%	4.44				
Weighted average rate paid	5.00	4.87				
Receive variable rate/pay fixed rate:						
Notional amount	\$ 95	70	20			
Weighted average rate received	4.79%	4.69	4.89			
Weighted average rate paid	3.73	3.93	4.68			
Net notional	\$ 4,422	4,267	3,390	2,210	1,300	1,300

¹ Receive fixed rate/pay variable rate

Note: Balances are based upon the portfolio at December 31, 2005. Excludes interest rate swap products that we provide as a service to our customers and prime/LIBOR basis swaps for cash flow hedges.

Market Risk – Fixed Income

The Company engages in trading and market making of U.S. Treasury, U.S. Government Agency, municipal and corporate securities. This trading and market making exposes the Company to a risk of loss arising from adverse changes in the prices of these fixed income securities held by the Company.

During the last quarter of 2005, the Company closed its London trading office and substantially reduced the size of its trading assets in response to continued narrow margins in its odd-lot electronic bond trading business. At December 31, 2005 trading account assets had been reduced to \$102 million and securities sold, not yet purchased were \$65 million.

At year-end 2005, the Company made a market in 695 fixed income securities through Zions Bank and its wholly-owned subsidiary, Zions Direct, Inc. During 2005, eighty-four percent of all trades were executed electronically. The Company is an odd-lot securities dealer, which means that most U.S. Treasury and Government Agency trades are for less than \$5 million and most corporate security trades are for less than \$250,000.

The Company monitors risk in fixed income trading and market making through Value-at-Risk (“VAR”). VAR is the worst-case loss expected within a specified confidence level, based on statistical models using historical data. Value-at-Risk information is not disclosed due to the limited risk in fixed income trading and market making after the recent reductions in the scale of the Company’s trading operations.

Market Risk – Equity Investments

Through its equity investment activities, the Company owns equity securities that are publicly traded and subject to fluctuations in their market prices or values. In addition, the Company owns equity securities in companies that are not publicly traded, that are accounted for under either fair value, equity, or full consolidation methods of accounting, depending upon the Company’s ownership position and degree of involvement in influencing the investees’ affairs. In either event, the value of the Company’s investment is subject to fluctuation. Since these market prices or values may fall

below the Company's investment costs, the Company is exposed to the possibility of loss.

The Company generally conducts minority investing in pre-public venture capital companies in which it does not have strategic involvement, through four funds collectively referred to as Wasatch Venture Funds ("Wasatch"). Wasatch screens investment opportunities and makes investment decisions based on its assessment of business prospects and potential returns. After an investment is made, Wasatch actively monitors the performance of the companies in which it has invested, and often has representation on the board of directors of the company. In the last three years, these investments have resulted in consistent losses to the Company. Net of expenses, income tax effects and minority interest, losses were \$2.2 million in 2005, \$4.5 million in 2004 and \$12.3 million in 2003. As a result of these losses and a change in our strategy toward venture capital investing, the Company has decided to substantially reduce the level of this type of investing in the future. In addition, we do not believe that this type of investing constitutes a "core" strength of the Company. The Company's remaining equity exposure to investments held by Wasatch, net of related minority interest and Small Business Administration debt, at December 31, 2005 was approximately \$40.9 million, compared to approximately \$39.4 million at December 31, 2004.

In addition to the program described above, Amegy has in place an alternative investments program. The Amegy investments are primarily directed towards equity buyout and mezzanine funds. The key strategy of the Amegy program is to derive ancillary commercial banking business from the portfolio companies. Early stage venture capital funds are not part of the strategy since the underlying companies are typically not credit worthy. The carrying value of the investments at December 31, 2005 was \$23.7 million.

The Company also, from time to time, either starts and funds businesses of a strategic nature, or makes significant investments in companies of strategic interest. These investments may result in either minority or majority ownership positions, and usually give Zions Bancorporation or its subsidiaries board representation. These strategic investments are in companies that are financial services or financial technologies providers. Examples of these

investments include ICAP plc. and Lending Tree, which were both sold at substantial gains in 2003. Other examples include Contango, NetDeposit, Quotesmith, IdenTrust, P5, and Roth Capital, which are ongoing.

Liquidity Risk

Overview

Liquidity risk is the possibility that the Company's cash flows may not be adequate to fund its ongoing operations and meet its commitments in a timely and cost-effective manner. Since liquidity risk is closely linked to both credit risk and market risk, many of the previously discussed risk control mechanisms also apply to the monitoring and management of liquidity risk. We manage the Company's liquidity to provide adequate funds to meet its anticipated financial and contractual obligations, including withdrawals by depositors, debt service requirements and lease obligations, as well as to fund customers' needs for credit.

Maintaining liquidity is the responsibility of ALCO, which implements a Board-adopted corporate Liquidity and Funding Policy that is adhered to by the Parent and the subsidiary banks. This policy includes guidelines by which liquidity and funding are managed. These guidelines address maintaining liquidity needs, diversifying funding positions, monitoring liquidity at consolidated as well as subsidiary levels, and anticipating future funding needs. The policy also includes liquidity ratio guidelines that are used to monitor the liquidity positions of the Parent and bank subsidiaries.

Managing liquidity and funding is performed centrally by Zions Bank's Capital Markets/Investment Division under the direction of the Company's Chief Investment Officer. The Chief Investment Officer is responsible for making any recommended changes to existing funding plans, as well as to the policy guidelines. These recommendations must be submitted for approval to ALCO and potentially to the Company's Board of Directors. The subsidiary banks only have authority to price deposits, borrow from their FHLB and sell/purchase Federal Funds to/from Zions Bank. The banks may also make liquidity and funding recommendations to the Chief Investment Officer, but are not involved in any other funding decision processes.

Contractual Obligations

Schedule 44 summarizes the Company's contractual obligations at December 31, 2005.

Schedule 44

CONTRACTUAL OBLIGATIONS

(In millions)	One year or less	Over one year through three years	Over three years through five years	Over five years	Indeterminable maturity ¹	Total
Deposits	\$ 4,458	810	164	2	27,208	32,642
Commitments to extend credit	6,306	3,700	1,469	2,208		13,683
Standby letters of credit:						
Performance	172	39	30			241
Financial	638	256	113	8		1,015
Commercial letters of credit	118	18				136
Commitments to make venture investments ²	32					32
Commitments to securitization structure ³	5,300					5,300
Federal funds purchased and security repurchase agreements	2,283					2,283
Other short-term borrowings	251					251
Long-term borrowings ⁴	153	7	107	2,437		2,704
Operating leases, net of subleases	35	73	58	184		350
	\$ 19,746	4,903	1,941	4,839	27,208	58,637

¹ Indeterminable maturity includes noninterest-bearing demand, savings and money market, and nontime foreign deposits.

² Commitments to make venture investments do not have defined maturity dates. They have therefore been considered due on demand, maturing in one year or less.

³ See Note 6 of the Notes to Consolidated Financial Statements for details of the commitments to the securitization structure.

⁴ The maturities on long-term borrowings do not include the associated hedges.

As of December 31, 2005, there were no minimum required pension plan contributions and no discretionary or noncash contributions are currently planned. As a result, no amounts have been included in the schedule above for future pension plan contributions.

In addition to the commitments specifically noted in the previous schedule, the Company enters into a number of contractual commitments in the ordinary course of business. These include software licensing and maintenance, telecommunications services, facilities maintenance and equipment servicing, supplies purchasing, and other goods and services used in the operation of our business. Generally, these contracts are renewable or cancelable at least annually, although in some cases to secure favorable pricing concessions, the Company has committed to contracts that may extend to several years.

The Company also enters into derivative contracts under which we are required either to receive cash or pay cash, depending on changes in interest rates. These contracts are carried at fair value on the Consolidated Balance Sheet with

the fair value representing the net present value of the expected future cash receipts and payments based on market rates of interest as of the balance sheet date. The fair value of the contracts changes daily as interest rates change. For further information on derivative contracts, see Note 7 of the Notes to Consolidated Financial Statements.

Pension Obligations

As of December 31, 2005, the market value of the Zions Bancorporation Pension Plan assets was \$124.3 million and the fair value of the accumulated benefit obligation as of that date was \$156.9 million, as measured with an annual discount rate of 5.60%. This means that the pension plan is underfunded in the amount of \$32.6 million. This underfunding is recorded as a liability on the Company's balance sheet. Since no new employees can be added to the plan and future benefit accruals were eliminated for most participants effective January 1, 2003, this unfunded condition should decrease over time as the market value of plan assets is expected to appreciate faster than the fair value

of the accumulated benefit obligation. As a result, the Company does not anticipate a need to make any cash contributions to the plan in the near future. However, certain proposed changes to federal laws and regulations governing defined benefit plans could, if enacted, change the Company's need to make future cash contributions.

Liquidity Management Actions

The Parent's cash requirements consist primarily of debt service, investment in and advances to subsidiaries, operating expenses, income taxes, dividends to shareholders and share repurchases. The Parent's cash needs are routinely met through dividends from its subsidiaries, investment income, subsidiaries' proportionate share of current income taxes, management and other fees, bank lines, equity contributed through the exercise of stock options and debt issuances. The subsidiaries' primary source of funding is their core deposits. Operational cash flows, while constituting a funding source for the Company, are not large enough to provide funding in the amounts that fulfill the needs of the Parent and the bank subsidiaries. For 2005 operations contributed \$754 million toward these needs. As a result, the Company utilizes other sources at its disposal to manage its liquidity needs.

During 2005, the Parent received \$262.0 million in dividends from various subsidiaries. At December 31, 2005, the subsidiaries could pay \$339.5 million of dividends to the Parent under regulatory guidelines. The amount of dividends the banking subsidiaries can pay the Parent are restricted by earnings and risk-based capital requirements. The dividend capacity is dependent on the continued profitability of the subsidiary banks and no significant changes in the current regulatory environment. While we have no current expectation that these two conditions will change, should a change take place to either in the future, this source of funding to the Parent may become more limited or even unavailable. See Note 20 of the Notes to Consolidated Financial Statements for details of dividend capacities and limitations.

For the year 2005, issuances of long-term debt exceeded repayments, resulting in net cash inflows of \$592 million. Specific long-term debt-related activities for 2005 are as follows:

- In November 2005, the Company issued \$600 million of fixed rated subordinated debt to finance the Amegy acquisition. The notes bear interest at 5.50% and mature on November 16, 2015, although upon issuance this entire amount was swapped to variable rate through swap contracts. This debt was issued under a shelf registration statement filed with the Securities and Exchange Commission in December 2004. The registration statement allowed for the issuance of up to \$1.1 billion of securities of Zions Bancorporation, Zions Capital Trust C and Zions Capital Trust D.
- As part of the Amegy acquisition the Company assumed \$149.5 million of junior subordinated deferrable interest debentures payable to financing trust affiliates and \$75 million of senior subordinated debentures issued by Amegy.

See Note 13 of the Notes to Consolidated Financial Statements for a complete summary of the Company's long-term borrowings.

On a consolidated basis, repayments of short-term borrowings exceeded fundings (excluding short-term FHLB borrowings) and resulted in a \$936.1 million use of cash in 2005. The Parent has a program to issue short-term commercial paper and at December 31, 2005, outstanding commercial paper was \$167.2 million. In addition, the Parent has a \$40 million secured revolving credit facility with a subsidiary bank. No amount was outstanding on this facility at December 31, 2005.

Access to funding markets for the Parent and subsidiary banks is directly tied to the credit ratings they receive from various rating agencies. The ratings not only influence the costs associated with the borrowings but can also influence the sources of the borrowings. The Parent had the following ratings as of December 31, 2005:

Schedule 45

CREDIT RATINGS

Rating agency	Outlook	Long-term issuer/ senior debt rating	Subordinated debt rating	Short-term/ commercial paper rating
S&P	Stable	BBB+	BBB	A-2
Moody's	Stable	A3	Baa1	Not Rated
Fitch	Stable	A-	BBB+	F1
Dominion	Stable	A (low)	BBB (high)	R-1 (low)

Any downgrade in these ratings could negatively impact the Parent's ability to borrow, including higher costs of funds and access to fewer funding sources.

The subsidiaries' primary source of funding is their core deposits, consisting of demand, savings and money market deposits, time deposits under \$100,000 and foreign deposits. At December 31, 2005, these core deposits, in aggregate, constituted 92.3% of consolidated deposits, compared with 94.4% of consolidated deposits at December 31, 2004. For 2005, deposit increases resulted in net cash inflows of \$3.0 billion.

The FHLB system is also a significant source of liquidity for each of the Company's subsidiary banks. Zions Bank and TCBW are members of the FHLB of Seattle. CB&T, NSB, and NBA are members of the FHLB of San Francisco. Vectra is a member of the FHLB of Topeka and Amegy is a member of the FHLB of Dallas. The FHLB allows member banks to borrow against their eligible loans to satisfy liquidity requirements. For 2005, the activity in short-term FHLB borrowings resulted in a net cash inflow of \$2.9 million. Amounts of unused lines of credit available for additional FHLB advances totaled \$4.2 billion at December 31, 2005. Borrowings from the FHLB may increase in the future, depending on availability of funding from other sources such as deposits. However, the subsidiary banks must maintain their FHLB memberships to continue accessing this source of funding.

As explained earlier, the Company uses asset securitizations to sell loans, which also provides an alternative source of funding for the subsidiaries and enhances flexibility in meeting funding needs. During 2005, loan sales (other than proceeds from loans held for sale included in cash flows from operating activities) provided \$1.2 billion in cash inflows and we expect that securitizations will continue to be a tool that we will use for liquidity management purposes.

At December 31, 2005, the Company managed approximately \$3.4 billion of securitized assets that were originated by its subsidiary banks. Of these, approximately \$2.1 billion were credit-enhanced by third party insurance and held in Lockhart, which is a QSPE securities conduit and an important source of funding for the Company's loans. Zions Bank provides a Liquidity Facility for a fee to Lockhart, which purchases floating-rate U.S. Government and AAA-rated securities with funds from the issuance of

commercial paper. Zions Bank also provides interest rate hedging support and administrative and investment advisory services for a fee. Pursuant to the Liquidity Facility, Zions Bank is required to purchase securities from Lockhart to provide funds for it to repay maturing commercial paper upon Lockhart's inability to access the commercial paper market, or upon a commercial paper market disruption, as specified in the governing documents of Lockhart. In addition, pursuant to the governing documents, including the Liquidity Facility, if any security in Lockhart is downgraded below AA-, Zions Bank must either 1) place its letter of credit on the security, 2) obtain a credit enhancement on the security from a third party, or 3) purchase the security from Lockhart at book value. At any given time, the maximum commitment of Zions Bank is the book value of Lockhart's securities portfolio, which is not allowed to exceed the size of the Liquidity Facility commitment.

Lockhart is limited in size by program agreements, agreements with rating agencies and by the size of the Liquidity Facility. At December 31, 2005, the size of Zions Bank's commitment under the Liquidity Facility was \$6.12 billion and the book value of Lockhart's securities portfolio was \$5.3 billion, which approximated market value. No amounts were outstanding under this Liquidity Facility at December 31, 2005 or December 31, 2004.

In June 2005 under the Liquidity Facility contract, Zions Bank repurchased for the first time a bond security from Lockhart at its book value of \$12.4 million because of a rating downgrade. Zions Bank recognized an impairment loss of \$1.6 million, which is included in fixed income securities gains (losses) for 2005. At December 31, 2005, this security was still rated as investment grade and Zions Bank expects to recover its investment plus contractual interest.

The FASB is deliberating a number of projects that propose to amend SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, including Exposure Drafts relating to QSPEs and isolation of transferred assets, servicing rights, and other matters. These proposed amendments, among other things, may require changes to the operating activities of QSPEs and other aspects relating to the transfer of financial assets. Subject to the requirements of any final standards when they are issued, Lockhart's operations may need to be modified to preserve its off-balance sheet status as a QSPE. Further discussion of

Lockhart can be found in the section entitled “Off-Balance-Sheet Arrangements” on page 62 and in Note 6 of the Notes to Consolidated Financial Statements.

While not considered a primary source of funding, the Company’s investment activities can also provide or use cash, depending on the asset-liability management posture that is being observed. For 2005, investment securities activities resulted in net cash inflows of \$149 million.

Maturing balances in the various loan portfolios also provide additional flexibility in managing cash flows. In most cases, however, loan growth has resulted in net cash outflows from a funding standpoint. For 2005, loan growth resulted in a net cash outflow of \$3.6 billion. With the loan growth that has been experienced over the past two years, we expect that loans will continue to be a use of funding rather than a source.

Operational Risk Management

Operational risk is the potential for unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures. In its ongoing efforts to identify and manage operational risk, the Company has created an Operating Risk Management Group, whose responsibility is to help Company management identify and monitor the key internal controls and processes that the Company has in place to mitigate operational risk. We have documented controls and the Control Self Assessment related to financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”).

To manage and minimize its operating risk, the Company has in place transactional documentation requirements, systems and procedures to monitor transactions and positions, regulatory compliance reviews, and periodic reviews by internal audit and credit examination. In addition, reconciliation procedures have been established to ensure that data processing systems consistently and accurately capture critical data. Further, we maintain contingency plans and systems for operations support in the event of natural or other disasters. We expect to continue efforts to improve the Company’s oversight of operational risk in 2006.

CAPITAL MANAGEMENT

The Board of Directors is responsible for approving the policies associated with capital management. The Board has established the Capital Management Committee (“CMC”) whose primary responsibility is to recommend and administer the approved capital policies that govern the capital management of the Company. Other major CMC responsibilities include:

- Setting overall capital targets within the Board approved policy, monitoring performance and recommending changes to capital including dividends, subordinated debt, or to major strategies to maintain the Company and its bank subsidiaries at well capitalized levels; and
- Reviewing agency ratings of the Parent and its bank subsidiaries and establishing target ratings.

The CMC, in managing the capital of the Company, may set capital standards that are higher than those approved by the Board, but may not set lower limits.

The Company has a fundamental financial objective to consistently produce superior risk-adjusted returns on its shareholders’ capital. We believe that a strong capital position is vital to continued profitability and to promoting depositor and investor confidence. Specifically, it is the policy of Zions Bancorporation and each of the subsidiary banks to:

- Maintain sufficient capital, at not less than the “well capitalized” threshold, as defined by federal banking regulators, to support current needs and to ensure that capital is available to support anticipated growth;
- Take into account the desirability of receiving an “investment grade” rating from major debt rating agencies on senior and subordinated unsecured debt when setting capital levels;
- Develop capabilities to measure and manage capital on a risk-adjusted basis and to maintain economic capital consistent with an “investment grade” risk level; and
- Return excess capital to shareholders through dividends and repurchases of common stock.

See Note 20 of the Notes to Consolidated Financial Statements for additional information on risk-based capital.

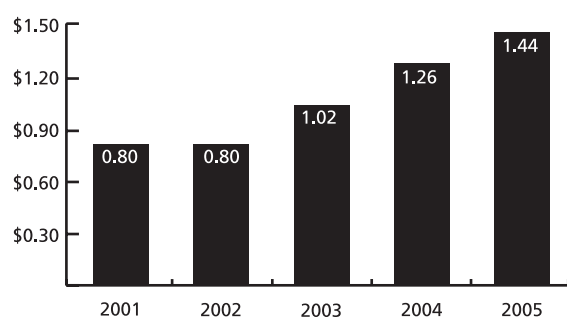
It is our belief that capital not considered necessary to support current and anticipated business should be returned to the Company’s shareholders through dividends and repurchases of its shares.

During 2005, the Company repurchased and retired 1,159,522 shares of its common stock at a total cost of \$80.7 million and an average per share price of \$69.64 under its share repurchase program. The Company also repurchased \$1.5 million of shares related to the Company's restricted stock employee incentive program. In 2004, common stock repurchases totaled 1,734,055 shares at a total cost of \$104.9 million and in 2003 repurchases were 2,083,101 shares at a cost of \$106.8 million. In July 2005 the Company announced that it has suspended the repurchase of its common stock in conjunction with its acquisition of Amegy. The Company anticipates that the common stock buyback program will remain suspended until it achieves a tangible common equity ratio of at least 6.25%.

During its January 2006 meeting, the Board of Directors declared a dividend of \$0.36 per share payable on February 22, 2006 to shareholders of record on February 8, 2006. The Company paid dividends in 2005 of \$1.44 per share compared with \$1.26 and \$1.02 per share in 2004 and 2003, respectively.

The Company paid \$130.3 million in common stock dividends in 2005, and used \$82.2 million to repurchase shares of the Company's common stock. In total, we returned to shareholders \$212.5 million out of total net income of \$480.1 million, or 44.3%.

Chart 11. **DIVIDENDS PER SHARE**



Total shareholders' equity at December 31, 2005 increased to \$4.2 billion, an increase of 51.9% over the \$2.8 billion at December 31, 2004, mainly due to the Amegy

acquisition. Tangible common equity was \$2.2 billion at the end of 2005 and \$2.1 billion at the end of 2004. The Company's capital ratios were as follows at December 31, 2005 and 2004:

Schedule 46

CAPITAL RATIOS

	December 31,		Percentage required to be well capitalized
	2005	2004	
Tangible common equity ratio	5.28%	6.80%	na
Average common equity to average assets	9.01	8.60	na
Risk-based capital ratios:			
Tier 1 leverage	8.16	8.31	5.00%
Tier 1 risk-based capital	7.52	9.35	6.00
Total risk-based capital	12.23	14.05	10.00

The decreases in the tangible common equity ratio and the risk-based capital ratios for 2005 were primarily the result of the acquisition of Amegy and the related financing. A \$75.1 million increase in the Company's accumulated other comprehensive loss during 2005 also decreased the tangible common equity ratio. This included a \$40.8 million increase in accumulated other comprehensive losses on derivatives and a \$29.0 million increase in losses related to available for sale securities and retained interests on securitizations.

The U.S. federal bank regulatory agencies' risk-capital guidelines are based upon the 1988 capital accord ("Basel I") of the Basel Committee on Banking Supervision (the "BIS"). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines that each country's supervisors can use to determine the supervisory policies they apply. In January 2001, the BIS released a proposal to replace the 1988 accord with a new capital framework ("Basel II") that would set capital requirements for operational risk and materially change the existing capital requirements for credit risk and market risk exposures. Operational risk is defined by the proposal to mean the risk of direct or indirect loss resulting from inadequate or failed internal processes, people

and systems or from external events. The 1988 accord does not include separate capital requirements for operational risk.

In January 2005, the U.S. banking regulators issued an interagency statement with regard to the U.S. implementation of the Basel II Framework. They have set January 2008 as the effective date for the final regulations, with mid-year 2006 for the publication of the final rule. The regulators have previously stated that approximately the ten largest U.S. bank holding companies will be required to adopt the new standard, and that others may elect to “opt in.” We do not currently expect to be an early “opt in” bank holding company, as the Company does not have in place the data

collection and analytical capabilities necessary to adopt Basel II. However, we believe that the competitive advantages afforded to companies that do adopt the framework will make it necessary for the Company to elect to “opt in” at some point, and we have begun investing in the required capabilities.

Also, in October 2005, the U.S. banking regulators issued an interagency Advance Notice of Proposed Rulemaking for modifications to the Basel I framework for those banks not adopting Basel II. The regulatory agencies are currently evaluating the numerous comments received on this proposal, which is commonly referred to as Basel 1a.

REPORT ON MANAGEMENT’S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Zions Bancorporation and subsidiaries (“the Company”) is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined by Exchange Act Rules 13a-15 and 15d-15.

The Company’s management has used the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) to evaluate the effectiveness of the Company’s internal control over financial reporting.

The Company’s management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2005 and has concluded that such internal control over financial reporting is effective. There are no material weaknesses in the Company’s internal control over financial reporting that have been identified by

the Company’s management. As discussed in Item 9A. Controls and Procedures of the Company’s Form 10-K, management’s assessment of internal control over financial reporting did not include the internal controls of Amegy Corporation (acquired on December 3, 2005), which is included in the 2005 consolidated financial statements of Zions Bancorporation and constituted 21.9 percent of total assets as of December 31, 2005 and 1.9 and 1.6 percent of net interest income and net income, respectively, for the year then ended.

Ernst & Young LLP, an independent registered public accounting firm, has audited the consolidated financial statements of the Company for the year ended December 31, 2005, and has also issued an attestation report, which is included herein, on internal control over financial reporting under Auditing Standard No. 2 of the Public Company Accounting Oversight Board (“PCAOB”).

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Audit Committee of the Board of Directors and Shareholders of Zions Bancorporation

We have audited management's assessment, included in the accompanying Report on Management's Assessment of Internal Control over Financial Reporting, that Zions Bancorporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Zions Bancorporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection

of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Report on Management's Assessment of Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Amegy Corporation (acquired on December 3, 2005), which is included in the 2005 consolidated financial statements of Zions Bancorporation and constituted 21.9 percent of total assets as of December 31, 2005 and 1.9 and 1.6 percent of net interest income and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Zions Bancorporation also did not include an evaluation of the internal control over financial reporting of Amegy Corporation.

In our opinion, management's assessment that Zions Bancorporation maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Zions Bancorporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Zions Bancorporation as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2005 and our report dated March 10, 2006 expressed an unqualified opinion thereon.

Ernst + Young LLP

Salt Lake City, Utah
March 10, 2006

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Audit Committee of the Board of Directors and Shareholders of Zions Bancorporation

We have audited the accompanying consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zions Bancorporation and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Zions Bancorporation and subsidiaries' internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Salt Lake City, Utah
March 10, 2006

CONSOLIDATED BALANCE SHEETS

ZIONS BANCORPORATION AND SUBSIDIARIES

DECEMBER 31, 2005 AND 2004

(In thousands, except share amounts)

	2005	2004
ASSETS		
Cash and due from banks	\$ 1,706,590	850,998
Money market investments:		
Interest-bearing deposits	22,179	1,251
Federal funds sold	414,281	130,086
Security resell agreements	230,282	461,750
Investment securities:		
Held to maturity, at cost (approximate market value \$642,258 and \$641,783)	649,791	641,659
Available for sale, at market	5,305,859	4,189,486
Trading account, at market (includes \$43,444 and \$163,248 transferred as collateral under repurchase agreements)	101,562	290,070
	6,057,212	5,121,215
Loans:		
Loans held for sale	256,236	196,736
Loans and leases	29,996,022	22,535,344
	30,252,258	22,732,080
Less:		
Unearned income and fees, net of related costs	125,322	104,959
Allowance for loan losses	338,399	271,117
Loans and leases, net of allowance	29,788,537	22,356,004
Other noninterest-bearing investments	938,515	665,198
Premises and equipment, net	564,745	409,210
Goodwill	1,887,588	642,645
Core deposit and other intangibles	199,166	55,440
Other real estate owned	19,966	11,877
Other assets	950,578	764,160
	\$ 42,779,639	31,469,834
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 9,953,833	6,821,528
Interest-bearing:		
Savings and money market	16,055,754	13,349,347
Time under \$100,000	1,938,789	1,387,784
Time \$100,000 and over	2,514,596	1,294,109
Foreign	2,179,436	439,493
	32,642,408	23,292,261
Securities sold, not yet purchased	64,654	309,893
Federal funds purchased	1,255,662	1,841,092
Security repurchase agreements	1,027,658	683,984
Other liabilities	592,599	429,129
Commercial paper	167,188	165,447
Federal Home Loan Bank advances and other borrowings:		
One year or less	18,801	15,949
Over one year	234,488	228,152
Long-term debt	2,511,366	1,690,589
	38,514,824	28,656,496
Minority interest	27,551	23,359
Shareholders' equity:		
Capital stock:		
Preferred stock, without par value; authorized 3,000,000 shares; issued and outstanding, none	-	-
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 105,147,562 and 89,829,947 shares	2,156,732	972,065
Retained earnings	2,179,885	1,830,064
Accumulated other comprehensive loss	(83,043)	(7,932)
Deferred compensation	(16,310)	(4,218)
	4,237,264	2,789,979
Total shareholders' equity	\$ 42,779,639	31,469,834

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

ZIONS BANCORPORATION AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(In thousands, except per share amounts)

	2005	2004	2003
Interest income:			
Interest and fees on loans	\$ 1,595,916	1,229,721	1,168,160
Interest on loans held for sale	9,814	5,038	8,280
Lease financing	16,079	16,839	18,893
Interest on money market investments	31,682	16,355	13,011
Interest on securities:			
Held to maturity – taxable	7,331	5,467	-
Held to maturity – nontaxable	24,005	18,742	-
Available for sale – taxable	201,628	160,621	126,592
Available for sale – nontaxable	3,931	9,062	29,205
Trading account	19,870	29,615	24,640
Total interest income	1,910,256	1,491,460	1,388,781
Interest expense:			
Interest on savings and money market deposits	220,604	121,189	111,616
Interest on time and foreign deposits	119,720	61,177	71,875
Interest on short-term borrowings	92,149	62,311	50,854
Interest on long-term borrowings	116,433	85,965	69,549
Total interest expense	548,906	330,642	303,894
Net interest income	1,361,350	1,160,818	1,084,887
Provision for loan losses	43,023	44,067	69,940
Net interest income after provision for loan losses	1,318,327	1,116,751	1,014,947
Noninterest income:			
Service charges and fees on deposit accounts	128,796	131,683	129,846
Loan sales and servicing income	77,822	79,081	89,334
Other service charges, commissions and fees	117,081	104,606	95,273
Trust and investment management income	16,037	16,977	21,057
Income from securities conduit	34,966	35,185	29,421
Dividends and other investment income	30,040	31,812	28,508
Market making, trading and nonhedge derivative income	15,714	17,565	29,358
Equity securities gains (losses), net	(1,312)	(9,765)	63,807
Fixed income securities gains (losses), net	845	2,510	(17)
Other	18,854	21,887	14,115
Total noninterest income	438,843	431,541	500,702
Noninterest expense:			
Salaries and employee benefits	573,902	531,303	491,563
Occupancy, net	77,393	73,716	70,986
Furniture and equipment	68,190	65,781	65,462
Legal and professional services	34,804	32,390	26,039
Postage and supplies	26,839	25,679	25,805
Advertising	21,364	19,747	18,212
Debt extinguishment cost	-	-	24,210
Impairment losses on long-lived assets	3,133	712	2,652
Restructuring charges	2,443	1,068	1,872
Merger related expense	3,310	-	-
Amortization of core deposit and other intangibles	16,905	14,129	14,190
Provision for unfunded lending commitments	3,425	467	-
Other	182,973	158,307	154,641
Total noninterest expense	1,014,681	923,299	895,632
Impairment loss on goodwill	602	602	75,628
Income before income taxes and minority interest	741,887	624,391	544,389
Income taxes	263,418	220,126	213,751
Minority interest	(1,652)	(1,722)	(7,185)
Net income	\$ 480,121	405,987	337,823
Weighted average shares outstanding during the year:			
Basic shares	91,187	89,663	90,048
Diluted shares	92,994	90,882	90,734
Net income per common share:			
Basic	\$ 5.27	4.53	3.75
Diluted	5.16	4.47	3.72

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

ZIONS BANCORPORATION AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(In thousands, except share amounts)	Common stock		Retained earnings	Accumulated other comprehensive income (loss)	Deferred compensation	Total shareholders' equity
	Shares	Amount				
BALANCE, DECEMBER 31, 2002	90,717,692	\$ 1,034,888	1,292,741	46,214	-	2,373,843
Comprehensive income:						
Net income			337,823			337,823
Other comprehensive loss, net of tax:						
Net realized and unrealized holding losses on investments and retained interests				(5,207)		
Reclassification for net realized gains on investments recorded in operations				(14,929)		
Net unrealized losses on derivative instruments				(14,704)		
Minimum pension liability				7,667		
Other comprehensive loss				(27,173)		(27,173)
Total comprehensive income						310,650
Stock redeemed and retired	(2,083,101)	(106,844)				(106,844)
Net stock options exercised	1,206,047	57,860				57,860
Cash dividends – common, \$1.02 per share			(91,887)			(91,887)
Change in deferred compensation					(3,599)	(3,599)
BALANCE, DECEMBER 31, 2003	89,840,638	985,904	1,538,677	19,041	(3,599)	2,540,023
Comprehensive income:						
Net income			405,987			405,987
Other comprehensive loss, net of tax:						
Net realized and unrealized holding losses on investments and retained interests				(3,622)		
Foreign currency translation				803		
Reclassification for net realized gains on investments recorded in operations				(1,422)		
Net unrealized losses on derivative instruments				(20,209)		
Minimum pension liability				(2,523)		
Other comprehensive loss				(26,973)		(26,973)
Total comprehensive income						379,014
Stock redeemed and retired	(1,734,055)	(104,881)				(104,881)
Net stock options exercised	1,723,364	91,042				91,042
Cash dividends – common, \$1.26 per share			(114,600)			(114,600)
Change in deferred compensation					(619)	(619)
BALANCE, DECEMBER 31, 2004	89,829,947	972,065	1,830,064	(7,932)	(4,218)	2,789,979
Comprehensive income:						
Net income			480,121			480,121
Other comprehensive loss, net of tax:						
Net realized and unrealized holding losses on investments and retained interests				(28,380)		
Foreign currency translation				(1,507)		
Reclassification for net realized gains on investments recorded in operations				(659)		
Net unrealized losses on derivative instruments				(40,771)		
Minimum pension liability				(3,794)		
Other comprehensive loss				(75,111)		(75,111)
Total comprehensive income						405,010
Stock redeemed and retired	(1,178,880)	(82,211)				(82,211)
Restricted stock issued and net stock options exercised	2,001,876	113,290				113,290
Common and restricted stock issued and stock options assumed in acquisition	14,494,619	1,153,588			(3,906)	1,149,682
Cash dividends – common, \$1.44 per share			(130,300)			(130,300)
Change in deferred compensation					(8,186)	(8,186)
BALANCE, DECEMBER 31, 2005	105,147,562	\$ 2,156,732	2,179,885	(83,043)	(16,310)	4,237,264

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ZIONS BANCORPORATION AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(In thousands)

	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 480,121	405,987	337,823
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment losses on goodwill, other intangibles and long-lived assets	3,735	1,314	78,280
Debt extinguishment cost	-	-	24,210
Provision for loan losses	43,023	44,067	69,940
Depreciation of premises and equipment	61,163	59,479	59,799
Amortization	39,504	35,298	34,737
Deferred income tax benefit	(32,362)	(21,914)	(13,529)
Loss allocated to minority interest	(1,652)	(1,722)	(7,185)
Equity securities losses (gains), net	1,312	9,765	(63,807)
Fixed income securities losses (gains), net	(845)	(2,510)	17
Net decrease (increase) in trading securities	188,508	245,471	(48,614)
Principal payments on and proceeds from sales of loans held for sale	987,324	735,392	621,251
Additions to loans held for sale	(911,287)	(707,320)	(490,537)
Net gains on sales of loans, leases and other assets	(50,191)	(53,317)	(66,993)
Net increase in cash surrender value of bank owned life insurance	(18,921)	(18,478)	(18,978)
Undistributed earnings of affiliates	(7,611)	(8,286)	(7,007)
Change in accrued income taxes	15,611	(4,292)	(45,892)
Change in accrued interest receivable	(22,922)	(12,890)	(10,819)
Change in other assets	(98,903)	147,075	86,636
Change in other liabilities	65,505	(198,285)	(67,189)
Change in accrued interest payable	10,085	1,469	2,232
Other, net	2,997	6,069	9,061
Net cash provided by operating activities	754,194	662,372	483,436
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in money market investments	89,273	212,169	(26,910)
Proceeds from maturities of investment securities held to maturity	129,916	133,859	-
Purchases of investment securities held to maturity	(137,844)	(138,859)	-
Proceeds from sales of investment securities available for sale	2,600,214	3,102,382	5,927,160
Proceeds from maturities of investment securities available for sale	1,342,576	614,818	1,083,462
Purchases of investment securities available for sale	(3,786,066)	(4,111,839)	(8,151,363)
Proceeds from sales of loans and leases	1,200,692	996,249	1,115,907
Securitized loans repurchased	-	-	(22,396)
Net increase in loans and leases	(3,619,401)	(3,888,410)	(2,157,123)
Net decrease (increase) in other noninterest-bearing investments	(15,294)	(35,093)	73,669
Proceeds from sales of premises and equipment	5,331	11,301	4,672
Purchases of premises and equipment	(67,995)	(72,289)	(83,272)
Proceeds from sales of other real estate owned	16,768	16,231	50,585
Net cash received from (paid for) acquisitions	(173,642)	1,076	-
Net cash paid for net liabilities on branches sold	(16,076)	(17,746)	-
Net cash used in investing activities	(2,431,548)	(3,176,151)	(2,185,609)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

ZIONS BANCORPORATION AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(In thousands)	2005	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	\$ 2,995,165	2,560,653	763,633
Net change in short-term funds borrowed	(933,191)	(232,677)	624,724
Proceeds from FHLB advances and other borrowings over one year	3,285	-	3,141
Payments on FHLB advances and other borrowings over one year	(2,233)	(3,288)	(12,399)
Proceeds from issuance of long-term debt	595,134	300,000	893,395
Debt issuance costs	(3,468)	(2,025)	(4,019)
Payments on long-term debt	(35)	(240,006)	(363,995)
Debt extinguishment cost	-	-	(24,210)
Proceeds from resale of common stock	90,800	82,250	52,689
Payments to redeem common stock	(82,211)	(104,881)	(106,844)
Dividends paid	(130,300)	(114,600)	(91,887)
Net cash provided by financing activities	2,532,946	2,245,426	1,734,228
Net increase (decrease) in cash and due from banks	855,592	(268,353)	32,055
Cash and due from banks at beginning of year	850,998	1,119,351	1,087,296
Cash and due from banks at end of year	\$ 1,706,590	850,998	1,119,351
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for:			
Interest	\$ 529,010	321,677	313,673
Income taxes	257,850	240,773	245,698
Noncash items:			
Loans transferred to securities resulting from securitizations	42,431	36,282	35,243
Loans transferred to other real estate owned	17,127	9,903	40,692
Investment securities available for sale transferred to investment securities held to maturity	-	636,494	-
Acquisition of Amegy Bancorporation, Inc.			
Common stock issued	1,089,440		
Assets acquired	8,886,049		
Liabilities assumed	7,126,844		

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ZIONS BANCORPORATION AND SUBSIDIARIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

Zions Bancorporation (“the Parent”) is a financial holding company headquartered in Salt Lake City, Utah, which provides a full range of banking and related services through its banking subsidiaries in ten Western states as follows: Zions First National Bank (“Zions Bank”), in Utah and Idaho; California Bank & Trust (“CB&T”); Amegy Corporation (“Amegy”), in Texas; National Bank of Arizona (“NBA”); Nevada State Bank (“NSB”); Vectra Bank Colorado (“Vectra”), in Colorado and New Mexico; The Commerce Bank of Washington (“TCBW”); and The Commerce Bank of Oregon (“TCBO”). Amegy and its parent, Amegy Bancorporation, Inc., were acquired effective December 3, 2005 as discussed in Note 3. TCBO was opened in October 2005 and is not expected to have a material effect on consolidated operations for several years.

BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of the Parent and its majority-owned subsidiaries (“the Company,” “we,” “our,” “us”). Unconsolidated investments in which there is a greater than 20% ownership are accounted for by the equity method of accounting; those in which there is less than 20% ownership are generally carried at cost. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain prior year amounts have been reclassified to conform to the current year presentation. This includes a reclassification of certain fees previously classified as interest and fees on loans in interest income to other service charges, commissions and fees in noninterest income. The amounts reclassified were \$13.7 million in 2004 and \$10.6 million in 2003, which had the effect of reducing the net interest margin from 4.32% to 4.27% and from 4.45% to 4.41% for the respective years. There was no impact on net income.

Financial Accounting Standards Board (“FASB”) Interpretation No. 46R (“FIN 46R”), *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research*

Bulletin No. 51, as revised from FIN 46, requires consolidation of a variable interest entity (“VIE”) when a company is the primary beneficiary of the VIE. Upon adoption of FIN 46R beginning in 2004, we deconsolidated the trusts involved in our trust preferred borrowing arrangements, as described in Note 13. We have not consolidated or deconsolidated any other entity as a result of adopting FIN 46R. The analyses required of our variable interests have concluded in each case that we are not the primary beneficiary as defined by FIN 46R. Ongoing reviews of our variable interests have not identified any events that would change our previous conclusions. As described in Note 6, Zions Bank holds variable interests in securitization structures. All of these structures are qualifying special-purpose entities, which are exempt from the consolidation requirements of FIN 46R.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and prevailing practices within the financial services industry. In preparing the consolidated financial statements, we are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

STATEMENT OF CASH FLOWS

For purposes of presentation in the consolidated statements of cash flows, “cash and cash equivalents” are defined as those amounts included in cash and due from banks in the consolidated balances sheets.

SECURITY RESELL AGREEMENTS

Security resell agreements represent overnight and term agreements, the majority maturing within 30 days. These agreements are generally treated as collateralized financing transactions and are carried at amounts at which the securities were acquired plus accrued interest. Either the Company or, in some instances, third parties on our behalf take possession of the underlying securities. The market value of such securities is monitored throughout the contract term to ensure that asset values remain sufficient to protect against counterparty default. We are permitted by contract to sell or repledge certain securities that we accept as collateral for

security resell agreements. If sold, our obligation to return the collateral is recorded as a liability and included in the balance sheet as securities sold, not yet purchased. As of December 31, 2005, we held approximately \$230 million of securities for which we were permitted by contract to sell or repledge. The majority of these securities have been either pledged or otherwise transferred to others in connection with our financing activities, or to satisfy our commitments under short sales. Security resell agreements averaged approximately \$774 million during 2005, and the maximum amount outstanding at any month-end during 2005 was \$1.1 billion.

INVESTMENT SECURITIES

We classify our investment securities according to their purpose and holding period. Gains or losses on the sale of securities are recognized using the specific identification method and recorded in noninterest income.

Held to maturity debt securities are stated at cost, net of unamortized premiums and unaccreted discounts. Upon purchase, the Company has the intent and ability to hold such securities to maturity. Debt securities held for investment and marketable equity securities not accounted for under the equity method of accounting are classified as available for sale and are recorded at fair value. Unrealized gains and losses, after applicable taxes, are recorded as a component of other comprehensive income. Any declines in the value of debt securities and marketable equity securities that are considered other than temporary are recorded in noninterest income. The review for other-than-temporary declines takes into account current market conditions, offering prices, trends and volatility of earnings, current analysts' evaluations, and other key measures.

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

The market values of available for sale and trading securities are generally based on quoted market prices or dealer quotes. If a quoted market price is not available, market value is estimated using quoted market prices for comparable securities or a discounted cash flow model based on established market rates.

LOANS

Loans are reported at the principal amount outstanding, net of unearned income. Unearned income, which includes deferred fees net of deferred direct incremental loan origination costs, is amortized to interest income over the life of the loan using the interest method. Interest income is recognized on an accrual basis.

Loans held for sale are carried at the lower of aggregate cost or market value. Gains and losses are recorded in noninterest income, based on the difference between sales proceeds and carrying value.

NONACCRUAL LOANS

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

IMPAIRED LOANS

Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments.

When a loan has been identified as being impaired, the amount of impairment will be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, when appropriate, the loan's observable market value or the fair value of the collateral (less any selling costs) if the loan is collateral-dependent.

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

RESTRUCTURED LOANS

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

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

OTHER REAL ESTATE OWNED

Other real estate owned consists principally of commercial and residential real estate obtained in partial or total satisfaction of loan obligations. Amounts are recorded at the lower of cost or market (less any selling costs) based on property appraisals at the time of transfer.

ALLOWANCE FOR LOAN LOSSES

In analyzing the adequacy of the allowance for loan losses, we utilize a comprehensive loan grading system to determine the risk potential in the portfolio and also consider the results of independent internal credit reviews. To determine the adequacy of the allowance, our loan and lease portfolio is broken into segments based on loan type.

For commercial loans, we use historical loss experience factors by segment, adjusted for changes in trends and conditions, to help determine an indicated allowance for each portfolio segment. These factors are evaluated and updated using migration analysis techniques and other considerations based on the makeup of the specific segment. Other considerations include volumes and trends of delinquencies, nonaccruals, levels of repossessions and bankruptcies,

criticized and classified loan trends, expected losses on real estate secured loans, new credit products and policies, economic conditions, concentrations of credit risk, and experience and abilities of the Company's lending personnel.

In addition to the segment evaluations, loans graded substandard or doubtful with an outstanding balance of \$500 thousand or more are individually evaluated based on facts and circumstances of the loan to determine if a specific allowance amount may be necessary. Specific allowances may also be established for loans whose outstanding balances are below the above threshold when it is determined that the risk associated with the loan differs significantly from the risk factor amounts established for its loan segment.

The above methodology was also previously used to evaluate the allowance for consumer loans. However in 2004, we implemented a new methodology accepted by the industry to evaluate the allowance for consumer loans. We develop historical rates at which loans migrate from one delinquency level to the next higher level. Comparing these average roll rates to actual losses, the model can project losses for rolling twelve-month periods with updated data broken down by product groupings with similar risk profiles. At the time of adoption, this methodology did not have a significant impact on the allowance for consumer loans.

After a preliminary allowance for credit losses has been established for the loan portfolio segments, we perform an additional review of the adequacy of the allowance based on the loan portfolio in its entirety. This enables us to mitigate the imprecision inherent in most estimates of expected credit losses and also supplements the allowance. This supplemental portion of the allowance includes our judgmental consideration of any additional amounts necessary for subjective factors such as economic uncertainties and excess concentration risks.

NONMARKETABLE SECURITIES

Nonmarketable securities are included in other noninterest-bearing investments on the balance sheet. These securities include certain venture capital securities and securities acquired for various debt and regulatory requirements. Nonmarketable venture capital securities are reported at estimated fair values, in the absence of readily ascertainable market values. Changes in fair value and gains and losses from

sales are recognized in noninterest income. The values assigned to the securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Such estimated amounts depend on future circumstances and will not be realized until the individual securities are liquidated. The valuation procedures applied include consideration of economic and market conditions, current and projected financial performance of the investee company, and the investee company's management team. We believe that the cost of an investment is initially the best indication of estimated fair value unless there have been significant subsequent positive or negative developments that justify an adjustment in the fair value estimate. Other nonmarketable securities acquired for various debt and regulatory requirements are accounted for at cost.

ASSET SECURITIZATIONS

When we sell receivables in securitizations of home equity loans and small business loans, we may retain a cash reserve account, an interest-only strip, and in some cases a subordinated tranche, all of which are retained interests in the securitized receivables. Gain or loss on sale of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. Quoted market prices are generally not available for retained interests. To obtain fair values, we estimate the present value of future expected cash flows using our best judgment of key assumptions, including credit losses, prepayment speeds and methods, forward yield curves, and discount rates commensurate with the risks involved. Retained interests are included in other assets in the balance sheet.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation, computed primarily on the straight-line method, is charged to operations over the estimated useful lives of the properties, generally from 25 to 40 years for buildings and from 3 to 10

years for furniture and equipment. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever are shorter.

BUSINESS COMBINATIONS

Business combinations are accounted for under the purchase method of accounting where assets and liabilities of the business acquired are recorded at their estimated fair values as of the date of acquisition. Any excess of the cost of acquisition over the fair value of net assets and other identifiable intangible assets acquired is recorded as goodwill. Results of operations of the acquired business are included in the statement of income from the date of acquisition. See further discussion in Note 3.

GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, requires that goodwill and intangible assets deemed to have indefinite lives are no longer amortized. Such assets are now subject to annual specified impairment tests. Core deposit assets and other intangibles with finite useful lives are generally amortized on an accelerated basis using an estimated useful life of up to 12 years.

DERIVATIVE INSTRUMENTS

We use derivative instruments including interest rate swaps and basis swaps as part of our overall asset and liability duration and interest rate risk management strategy. These instruments enable us to manage desired asset and liability duration and to reduce interest rate exposure by matching estimated repricing periods of interest-sensitive assets and liabilities. We also execute derivative instruments with commercial banking customers to facilitate their risk management strategies. As required by SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, we record all derivatives at fair value in the balance sheet as either other assets or other liabilities. See further discussion in Note 7.

COMMITMENTS AND LETTERS OF CREDIT

In the ordinary course of business, we enter into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable. The credit risk associated with these commitments, when indistinguishable from the underlying funded loan, is considered in our determination of the allowance for loan losses. Other liabilities in the balance sheet includes the portion of the allowance that was distinguishable and related to undrawn commitments to extend credit.

SHARE-BASED COMPENSATION

The following disclosures are required by SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*. This Statement provides guidance to transition from the intrinsic value method of accounting for share-based compensation under Accounting Principles Board Opinion No. 25 (“APB 25”), *Accounting for Stock Issued to Employees*, to the fair value method under SFAS No. 123, *Accounting for Stock-Based Compensation*. See Note 18 which discusses the new accounting pronouncement for share-based payments and describes our new and previous share-based compensation plans. We continue to account for our share-based compensation plans under APB 25 and have not recorded any compensation expense for stock options, as the exercise price of the options was equal to the quoted market price of the stock on the date of grant.

The impact on net income and net income per common share if we had applied the provisions of SFAS 123 to share-based payments is as follows (*in thousands, except per share amounts*):

	2005	2004	2003
Net income, as reported	\$ 480,121	405,987	337,823
Deduct: Total share-based compensation expense determined under fair value based method for all awards, net of related tax effects	(9,793)	(12,503)	(15,395)
Pro forma net income	\$ 470,328	393,484	322,428
Net income per common share:			
Basic – as reported	\$ 5.27	4.53	3.75
Basic – pro forma	5.16	4.39	3.58
Diluted – as reported	5.16	4.47	3.72
Diluted – pro forma	5.08	4.33	3.55

The fair values of stock options granted were estimated at the date of grant using the Black-Scholes option-pricing model. The following table summarizes the weighted average of fair value and the assumptions used in applying the Black-Scholes option-pricing model to compute the pro forma impact of share-based compensation expense on net income and net income per common share for options granted:

	2005	2004	2003
Weighted average of fair value for options granted	\$ 15.33	11.85	9.05
Weighted average assumptions used:			
Expected dividend yield	2.0%	2.0%	1.9%
Expected volatility	25.0%	26.8%	28.0%
Risk-free interest rate	3.95%	3.11%	2.38%
Expected life (in years)	4.1	3.8	3.8

INCOME TAXES

Deferred tax assets and liabilities are determined based on temporary differences between financial statement asset and liability amounts and their respective tax bases and are measured using enacted tax laws and rates. 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. Deferred tax assets are recognized subject to management’s judgment that realization is more-likely-than-not.

NET INCOME PER COMMON SHARE

Basic net income per common share is based on the weighted average outstanding common shares during each year. Diluted net income per common share is based on the weighted average outstanding common shares during each year, including common stock equivalents. Diluted net income per common share excludes common stock equivalents whose effect is antidilutive.

2. OTHER RECENT ACCOUNTING PRONOUNCEMENTS

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, which changes the requirements in accounting for and reporting of a voluntary change in accounting principle. The Statement requires retrospective application to prior period financial statements of changes in accounting principle, unless it is impractical.

The Statement also requires that a change in the method of depreciation or amortization of long-lived nonfinancial assets be accounted for as a change in accounting estimate in the period the change occurs. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005. The adoption of this Statement is not expected to have a material effect on our financial condition, liquidity, or results of operations.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions*. This Statement amends the previous guidance that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged and more broadly provides for exceptions regarding exchanges of nonmonetary assets that do not have commercial substance. This Statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of this Statement is not expected to have a material effect on our financial condition, liquidity, or results of operations.

Additional recent accounting pronouncements are discussed where applicable throughout the Notes to Consolidated Financial Statements.

3. MERGER AND ACQUISITION ACTIVITY

Effective December 3, 2005, we acquired 100% of the outstanding stock of Amegy Bancorporation, Inc. headquartered in Houston, Texas. The tax-free merger was accomplished according to the Agreement and Plan of Merger ("the Merger Agreement") dated July 5, 2005, and included the formation of a new holding company, Amegy Corporation, which became a wholly-owned subsidiary of the Company. The merger expands the Company's market into Texas. Amegy's results for the month of December were included with the Company's results of operations.

As provided by the Merger Agreement and based on valuation amounts determined as of the merger date, approximately 70.89 million shares of Amegy common stock were exchanged for \$600 million in cash and 14.35 million shares of the Company's common stock at a calculated exchange ratio of 0.3136. The exchange of shares represented approximately 16% of the Company's outstanding common stock as of the merger date.

The merger was accounted for under the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*. Accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the merger date as summarized below (*in thousands, except share and per share amounts*):

Purchase price

Number of shares of the Company's common stock issued for Amegy common stock	14,351,115	
Average share price of the Company's common stock three days prior to close on December 3, 2005	\$ 75.9133	
Total stock consideration		\$ 1,089,440
Fair value of Amegy stock options and restricted stock converted to the Company's stock options and restricted stock		60,242
Total common and restricted stock issued and stock options assumed		1,149,682
Cash consideration, including fractional shares		600,032
Total stock and cash consideration		1,749,714
Acquisition costs:		
Direct costs of acquisition		9,491
Total purchase price and acquisition costs		1,759,205

Allocation of purchase price

Amegy shareholders' equity	\$ 604,787	
Amegy goodwill	(150,426)	
Amegy core deposit intangible assets, net of tax	(12,852)	
Adjustments to reflect assets acquired and liabilities assumed at fair value:		
Securities	(697)	
Loans	(43,723)	
Identified intangibles	157,855	
Other assets	(42,599)	
Deposits	(16)	
Other liabilities	(1,194)	
Fair value of net assets acquired		511,135
Estimated goodwill resulting from the merger		\$ 1,248,070

Appropriate amounts and adjustments shown previously were recorded by Amegy and included in their reporting segment. Certain amounts, including goodwill, are subject to change when the determination of the asset and liability values is finalized within one year from the merger date. Valuations of certain assets and liabilities of Amegy were performed with the assistance of independent valuation consultants. None of the resulting goodwill is expected to be deductible for tax purposes.

The following unaudited pro forma condensed combined financial information presents the Company's results of operations for the years indicated had the merger taken place as of January 1, 2004 (*in thousands, except share and per share amounts*):

	2005	2004
Net interest income	\$ 1,570,420	1,368,601
Provision for loan losses	51,154	54,279
Noninterest income	531,201	528,046
Merger related expense	3,310	-
Other noninterest expense	1,292,358	1,169,494
Income before income taxes and minority interest	754,799	672,874
Net income	493,628	443,492
Net income per common share:		
Basic	\$ 4.73	4.26
Diluted	4.63	4.19
Weighted average shares outstanding during the year:		
Basic	104,349	104,014
Diluted	106,714	105,750

Merger related expense in 2005 of \$3.3 million relates to costs associated with this merger and consists of systems integration and related charges of approximately \$1.4 million, employee-related costs of \$1.2 million, and other costs of \$0.7 million.

As of the merger date, approximately \$15.2 million of liabilities for Amegy's exit and termination costs as a result of the merger were recorded as purchase accounting adjustments resulting in an increase to goodwill. These costs consist of employee-related costs of \$12.2 million and other exit costs of \$3.0 million. As of December 31, 2005, approximately \$7.5 million of these costs had been paid.

Additional costs from the merger for employment and retention agreements to be charged to operations by Amegy subsequent to December 31, 2005 as the employees render service are as follows: \$6.5 million in 2006, \$3.4 million in 2007, and \$1.0 million in 2008.

4. INVESTMENT SECURITIES

Investment securities are summarized as follows (*in thousands*):

	December 31, 2005			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Held to maturity				
Municipal securities	\$ 649,791	4,148	11,681	642,258
Available for sale				
U.S. Treasury securities	\$ 42,572	304	320	42,556
U.S. Government agencies and corporations:				
Small Business Administration loan-backed securities	785,882	2,669	6,727	781,824
Other agency securities	687,632	1,121	5,413	683,340
Municipal securities	266,501	1,041	177	267,365
Mortgage/asset-backed and other debt securities	3,310,839	37,478	40,400	3,307,917
	5,093,426	42,613	53,037	5,083,002
Other securities:				
Mutual funds	217,084	-	1,481	215,603
Stock	6,422	2,123	1,291	7,254
	\$ 5,316,932	44,736	55,809	5,305,859

	December 31, 2004			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
Held to maturity				
Municipal securities	\$ 641,659	6,731	6,607	641,783
Available for sale				
U.S. Treasury securities	\$ 35,854	601	-	36,455
U.S. Government agencies and corporations:				
Small Business Administration loan-backed securities	711,685	3,797	4,728	710,754
Other agency securities	275,361	2,682	1,690	276,353
Municipal securities	94,713	1,719	100	96,332
Mortgage/asset-backed and other debt securities	2,743,214	29,379	12,393	2,760,200
	3,860,827	38,178	18,911	3,880,094
Other securities:				
Mutual funds	301,120	354	-	301,474
Stock	6,625	2,555	1,262	7,918
	\$ 4,168,572	41,087	20,173	4,189,486

The amortized cost and estimated market value of investment debt securities as of December 31, 2005 by contractual maturity are shown as follows. 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	\$ 60,387	60,265	631,170	628,713
Due after one year through five years	189,061	187,353	1,383,786	1,378,248
Due after five years through ten years	204,174	203,214	467,760	467,671
Due after ten years	196,169	191,426	2,610,710	2,608,370
	<u>\$ 649,791</u>	<u>642,258</u>	<u>5,093,426</u>	<u>5,083,002</u>

The following is a summary of the amount of gross unrealized losses and the estimated market value by length of time that the securities have been in an unrealized loss position (*in thousands*):

	December 31, 2005					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated market value	Gross unrealized losses	Estimated market value	Gross unrealized losses	Estimated market value
Held to maturity						
Municipal securities	\$ 6,414	228,902	5,267	130,207	11,681	359,109
Available for sale						
U.S. Treasury securities	\$ 292	19,753	28	2,040	320	21,793
U.S. Government agencies and corporations:						
Small Business Administration loan-backed securities	3,671	318,535	3,056	173,286	6,727	491,821
Other agency securities	1,998	267,359	3,415	86,546	5,413	353,905
Municipal securities	136	48,782	41	2,286	177	51,068
Mortgage/asset-backed and other debt securities	25,657	1,295,398	14,743	423,502	40,400	1,718,900
	31,754	1,949,827	21,283	687,660	53,037	2,637,487
Other securities:						
Mutual funds	1,481	90,329	-	-	1,481	90,329
Stock	-	-	1,291	2,805	1,291	2,805
	\$ 33,235	2,040,156	22,574	690,465	55,809	2,730,621

	December 31, 2004					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated market value	Gross unrealized losses	Estimated market value	Gross unrealized losses	Estimated market value
Held to maturity						
Municipal securities	\$ 1,399	115,663	5,208	86,747	6,607	202,410
Available for sale						
U.S. Government agencies and corporations:						
Small Business Administration loan-backed securities	\$ 3,154	281,978	1,574	91,120	4,728	373,098
Other agency securities	1,595	163,792	95	6,226	1,690	170,018
Municipal securities	44	3,509	56	1,229	100	4,738
Mortgage/asset-backed and other debt securities	10,572	786,811	1,821	114,193	12,393	901,004
	15,365	1,236,090	3,546	212,768	18,911	1,448,858
Other securities:						
Stock	-	-	1,262	3,108	1,262	3,108
	\$ 15,365	1,236,090	4,808	215,876	20,173	1,451,966

The disclosure immediately preceding and the following discussion are presented pursuant to FASB Staff Position (“FSP”) FAS 155-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, issued in November 2005, and Emerging Issues Task Force (“EITF”) Issue No. 03-1 (“EITF 03-1”), *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*. FSP FAS 115-1 replaces the impairment evaluation guidance (paragraphs 10-18) of EITF 03-1; however, the disclosure requirements of EITF 03-1 remain in effect. The FSP addresses the determination of when an investment is considered impaired, whether the impairment is considered other-than-temporary, and the measurement of an impairment loss. The FSP also supersedes EITF Topic No. D-44, *Recognition of Other-Than-Temporary Impairment upon the Planned Sale of a Security Whose Cost Exceeds Fair Value*, and clarifies that an impairment loss should be recognized no later than when the impairment is deemed other-than-temporary, even if a decision to sell an impaired security has not been made.

U.S. Treasury Securities: Unrealized losses relate to U.S. Treasury notes and were caused by interest rate increases. The contractual terms of these investments range from less than one year to ten years. Because we have the ability and intent to hold those investments until a recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at December 31, 2005.

Small Business Administration (“SBA”) Loan-Backed Securities: These securities were generally purchased at premiums with maturities from five to 25 years and have principal cash flows guaranteed by the SBA. The decline in market value is not attributable to credit quality, and because we have the ability and intent to hold these investments until a recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at December 31, 2005.

Other Agency Securities: Unrealized losses were caused by interest rate increases. The other agency securities consist of discount notes and medium term notes issued by the Federal Agricultural Mortgage Corporation (“FAMC”), Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation (“FHLMC”) and Federal National

Mortgage Association (“FNMA”). These securities are fixed rate and were purchased at premiums or discounts. They have maturity dates from one to 30 years and have contractual cash flows guaranteed by agencies of the U.S. Government. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because we have the ability and intent to hold these investments until a recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at December 31, 2005.

Municipal Securities: We classify these securities issued by state and political subdivisions as held to maturity (“HTM”) and available for sale (“AFS”). The HTM securities are purchased directly from the municipalities and are generally not rated by a credit rating agency. The AFS securities are rated as investment grade by various credit rating agencies. Both the HTM and AFS securities are at fixed and variable rates with maturities from one to 25 years. During 2004, we transferred \$636.5 million of AFS securities to HTM. The length of time these securities have been in an unrealized loss position includes the time they were classified as AFS as well as HTM. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because we have the ability and intent to hold those investments until a recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at December 31, 2005.

Mortgage/Asset-Backed and Other Debt Securities: Unrealized losses were caused by interest rate increases. These securities are purchased at premiums or discounts. The mortgage-backed securities were issued by the Government National Mortgage Association (“GNMA”), FAMC, FHLMC, or FNMA and include both fixed and variable rate pools. The asset-backed securities are investment grade rated pools of trust preferred securities at both fixed and variable rates. Other debt securities include nonrated asset-backed securities and other corporate debt. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because we have the ability and intent to hold these investments until a recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at December 31, 2005.

Mutual Funds: This investment is a mortgage securities mutual fund that invests mainly in mortgage-related securities. As of December 31, 2005, the fund was invested in U.S. Treasury, Agency and AAA-rated securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because we have the ability and intent to hold this investment until a recovery of fair value, we do not consider this investment to be other-than-temporarily impaired at December 31, 2005.

Stocks: This equity investment is a private placement with no active or quoted market. Market value is estimated by using a discounted cash flow model using current economic assumptions. Under the terms of the private placement agreement, Zions Bank will receive 100% of its investment if the equity is held for the specified period. Based upon this agreement and our intent and ability to hold this investment until a recovery of fair value, we do not consider this investment to be other-than-temporarily impaired at December 31, 2005.

We review all of these investment securities on an ongoing basis according to our policy described in Note 1. While our review did not result in an other-than-temporary impairment adjustment at December 31, 2005, we will continue to review these investments for possible adjustment in the future. At December 31, 2005 and 2004, respectively, 1,505 and 873 HTM and 660 and 395 AFS investment securities were in an unrealized loss position.

Gross gains and gross losses from investment securities of \$3.9 million and \$2.8 million in 2005, \$4.2 million and \$0.8 million in 2004, and \$25.3 million and \$1.2 million in 2003, respectively, were recognized in the statement of income as equity and fixed income securities gains (losses).

Net losses from securities held by our venture capital subsidiaries and included in equity securities gains (losses) were \$2.4 million in 2005, consisting of gross gains of \$6.1 million and gross losses of \$8.5 million. The net losses for 2004 and 2003 were \$7.1 million and \$23.6 million, respectively. Adjusted for expenses, minority interest, and income taxes, consolidated net income includes losses from our venture capital subsidiaries of approximately \$2.2 million in 2005, \$4.5 million in 2004, and \$12.3 million in 2003. Nonmarketable securities held by our venture capital subsidiaries are included in other noninterest-bearing

investments in the balance sheet. The carrying value of these securities at December 31, 2005 and 2004 was \$74.5 million and \$69.9 million, respectively.

We recognized gross gains and gross losses of \$0.9 million and \$0.1 million in 2005, \$1.0 million and \$4.6 million in 2004, and \$70.3 million and \$7.0 million in 2003, respectively, from sales and write-downs of other equity investments included in other noninterest-bearing investments. Included in the gross gains for 2003 is \$68.5 million that we recognized from the sale of our investment in ICAP plc. All of these gains and losses were included in equity securities gains (losses) in their respective years.

As of December 31, 2005 and 2004, securities with an amortized cost of \$2.65 billion and \$1.45 billion, respectively, were pledged to secure public and trust deposits, advances, and for other purposes as required by law. As described in Note 11, securities are also pledged as collateral for security repurchase agreements.

5. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are summarized as follows at December 31 (*in thousands*):

	2005	2004
Loans held for sale	\$ 256,236	196,736
Commercial lending:		
Commercial and industrial	7,192,112	4,642,729
Leasing	372,647	369,595
Owner occupied	4,825,375	3,790,564
Total commercial lending	12,390,134	8,802,888
Commercial real estate:		
Construction	6,091,674	3,536,447
Term	4,639,869	3,997,530
Total commercial real estate	10,731,543	7,533,977
Consumer:		
Home equity credit line	1,126,469	1,103,595
1-4 family residential	4,807,618	4,234,345
Bankcard and other revolving plans	206,724	225,238
Other	536,927	532,133
Total consumer	6,677,738	6,095,311
Foreign loans	5,211	5,138
Other receivables	191,396	98,030
Total loans	\$ 30,252,258	22,732,080

Owner occupied and commercial term loans included unamortized premium of approximately \$43.1 million and \$39.1 million at December 31, 2005 and 2004, respectively.

As of December 31, 2005 and 2004, loans with a carrying value of \$3.1 billion and \$1.8 billion, respectively, were included as blanket pledges of security for Federal Home Loan Bank advances.

We sold loans totaling \$885 million in 2005, \$687 million in 2004, and \$603 million in 2003 that were previously classified as held for sale. Income from loans sold, excluding servicing, of both loans held for sale and loan securitizations was \$53.9 million in 2005, \$55.3 million in 2004, and \$64.6 million in 2003.

Changes in the allowance for loan losses are summarized as follows (*in thousands*):

	2005	2004	2003
Balance at beginning of year	\$ 271,117	268,506	279,593
Allowance of loans sold with branches	-	(2,067)	-
Allowance for loan losses of companies acquired	49,217	-	-
Additions:			
Provision for loan losses	43,023	44,067	69,940
Recoveries	17,811	20,265	16,791
Deductions:			
Loan charge-offs	(42,769)	(59,654)	(85,603)
	338,399	271,117	280,721
Reclassification of allowance for unfunded lending commitments	-	-	(12,215)
Balance at end of year	\$ 338,399	271,117	268,506

The reclassified allowance in 2003 is for potential credit losses related to undrawn commitments to extend credit. The reclassification was made as of December 31, 2003 to other liabilities.

Nonaccrual loans were \$69 million and \$72 million at December 31, 2005 and 2004, respectively. Loans past due 90 days or more as to interest or principal and still accruing interest were \$17 million and \$16 million at December 31, 2005 and 2004, respectively.

Our recorded investment in impaired loans was \$31 million and \$41 million at December 31, 2005 and 2004, respectively. Impaired loans of \$14 million and \$27 million at December 31, 2005 and 2004 required an allowance of \$3 million and \$9 million, respectively, which is included in the allowance for loan losses. Contractual interest due on impaired loans was \$2.6 million in 2005, \$3.6 million in 2004, and \$6.2 million in 2003. Interest collected on these loans and

included in interest income was \$0.3 million in 2005 and \$0.6 million in both 2004 and 2003. The average recorded investment in impaired loans was \$33 million in 2005, \$49 million in 2004, and \$51 million in 2003.

In December 2003, the American Institute of Certified Public Accountants issued Statement of Position 03-3 ("SOP 03-3"), *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. SOP 03-3 requires acquired impaired loans for which it is probable that the investor will be unable to collect all contractually required payments receivable to be recorded at the present value of amounts expected to be received and prohibits carrying over or creating valuation allowances in the initial accounting for these loans. Loans carried at fair value, mortgage loans held for sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3. The guidance is effective for loans acquired in fiscal years beginning after December 15, 2004.

We acquired approximately \$14.1 million of impaired loans in the Amegy acquisition which closed on December 3, 2005. These loans were recorded at their fair value of \$13.5 million with no associated allowance for loan losses in accordance with the provisions of SOP 03-3. Additional disclosures required by SOP 03-3 are not provided because the amounts are not significant.

Concentrations of credit risk from financial instruments (whether on- or off-balance sheet) occur when groups of customers or counterparties having similar economic characteristics are unable to meet contractual obligations when similarly affected by changes in economic or other conditions. Credit risk includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. We have no significant exposure to any individual customer or counterparty.

Most of our business activity is with customers located in the states of Utah, California, Texas, Arizona, Nevada, Colorado, Idaho, and Washington. The commercial loan portfolio is well diversified, consisting of 11 major industry classification groupings. As of December 31, 2005, the larger concentrations of risk in the commercial loan and leasing portfolios are represented by the real estate and construction, and services and transportation groupings. We have no significant exposure to highly-leveraged transactions. See

discussion in Note 19 regarding commitments to extend additional credit.

In the ordinary course of business, the Company and its banking subsidiaries extend credit to related parties, including executive officers, directors, principal shareholders, and their associates and related interests. These related party loans are made in compliance with applicable banking regulations under substantially the same terms as comparable third-party lending arrangements. A summary of related party term loan activity for 2005 and revolving lines of credit at December 31, 2005 follows (*in thousands*):

Balance at beginning of year	\$ 33,501
New loans	14,579
Loans from acquisition of Amegy effective December 3, 2005	209,867
Repayments	(13,702)
Balance at end of year	<u>\$ 244,245</u>
Total commitments under revolving lines of credit	\$ 194,088
Amounts outstanding under revolving lines of credit	69,476

6. ASSET SECURITIZATIONS

SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and related FSPs, provides accounting and reporting guidance for sales, securitizations, and servicing of receivables and other financial assets, secured borrowing and collateral transactions, and the extinguishment of liabilities.

We sell home equity loans for cash to revolving securitization structures for which we retain servicing responsibilities and receive servicing fees. On an annualized basis, these fees approximate 0.5% of the outstanding loan balances. We recognized pretax gains from these securitizations of \$6.3 million in 2005, \$8.7 million in 2004, and \$9.7 million in 2003.

We retain subordinated tranche interests or cash reserve accounts that serve as credit enhancements on the

securitizations. These retained interests provide us with rights to future cash flows arising after the investors in the securitizations have received the return for which they contracted, and after administrative and other expenses have been paid. The investors and the securitization vehicles have no recourse to other assets of the Company for failure of debtors to pay when due. Our retained interests are subject to credit, prepayment, and interest rate risks on the transferred loans and receivables.

The gain or loss on the sale of loans and receivables is the difference between the proceeds from the sale and the basis of the assets sold. The basis is determined by allocating the previous carrying amount between the assets sold and the retained interests, based on their relative fair values at the date of transfer. Fair values are based upon market prices at the time of sale for the assets and the estimated present value of future cash flows for the retained interests.

We also sell small business loans to securitization structures. Except for the revolving features, the general characteristics of the securitizations and rights of the Company described previously also pertain to these transactions. Annualized servicing fees approximate 1% of the outstanding loan balances. For most small business loan sales, we do not establish a servicing asset because the lack of an active market does not make it practicable to estimate the fair value of servicing. We recognized pretax gains of \$2.6 million in 2005, \$0.8 million in 2004, and \$2.4 million in 2003.

We previously sold nonconforming residential real estate loans (jumbo mortgage loans) to securitization structures. In November 2003, Zions Bank as servicer exercised its “clean-up call” rights under the provisions of the applicable agreement to purchase back all of the remaining jumbo mortgage loans from the securitization structure. The amount paid of \$22.4 million redeemed the stated balances plus any accrued interest, and approximated the fair value of the loans. No gain or loss was recognized from this transaction.

Key economic assumptions used for measuring the retained interests at the date of securitization for sales are as follows:

	Home equity loans	Small business loans
2005:		
Prepayment method	na ¹	CPR ²
Annualized prepayment speed	na ¹	4 - 15 Ramp in 25 months ³
Weighted average life (in months)	12	69
Expected annual net loss rate	0.10%	0.40%
Residual cash flows discounted at	15.0%	15.0%
2004:		
Prepayment method	na ¹	CPR ²
Annualized prepayment speed	na ¹	10, 15 Ramp-up ⁴
Weighted average life (in months)	11	64
Expected annual net loss rate	0.10%	0.50%
Residual cash flows discounted at	15.0%	15.0%
2003:		
Prepayment method	na ¹	CPR ²
Annualized prepayment speed	na ¹	10, 15 Ramp-up ⁴
Weighted average life (in months)	12	62
Expected annual net loss rate	0.25%	0.50%
Residual cash flows discounted at	15.0%	15.0%

¹ The model for this securitization has been modified to respond to the current interest rate environment and the high volume of refinancings. The weighted average life assumption includes consideration of prepayment to determine the fair value of the capitalized residual cash flows.

² "Constant Prepayment Rate."

³ Annualized prepayment speed begins at 4% and increases at equal increments to 15% in 25 months.

⁴ Annualized prepayment speed is 10% in the first year and 15% thereafter.

Certain cash flows between the Company and the securitization structures are summarized as follows (in millions):

	2005	2004	2003
Proceeds from new securitizations	\$ 707	605	587
Proceeds from loans sold into revolving securitizations	412	294	331
Servicing fees received	23	20	16
Other cash flows received on retained interests ¹	86	95	96
Repurchase of securitizations	-	-	(22)
	\$ 1,228	1,014	1,008

¹ Represents total cash flows received from retained interests other than servicing fees. Other cash flows include cash from interest-only strips and cash above the minimum required level in cash collateral accounts.

We recognize interest income on retained interests in securitizations in accordance with the provisions of EITF Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets*. Interest income thus recognized, excluding revolving securitizations, which are accounted for like trading securities, was \$17.7 million in 2005, \$22.5 million in 2004, and \$23.3 million in 2003.

Servicing fee income on all securitizations was \$22.7 million in 2005, \$20.4 million in 2004, and \$16.2 million in 2003. All amounts of pretax gains, interest income, and servicing fee income are included in loan sales and servicing income in the statement of income.

Key economic assumptions for all securitizations outstanding at December 31, 2005 and the sensitivity of the current fair value of capitalized residual cash flows to immediate 10% and 20% adverse changes in those assumptions are as follows at December 31, 2005 (in millions of dollars and annualized percentage rates):

		Home equity loans	Small business loans
Carrying amount/fair value of capitalized residual cash flows		\$ 7.7	100.7
Weighted average life (in months)		12	34 - 67
Prepayment speed assumption		na ¹	15.0% - 24.0% ²
Decrease in fair value due to adverse change	-10%	\$ na ¹	2.9
	-20%	\$ na ¹	5.5
Expected credit losses		0.10%	0.40% - 0.60%
Decrease in fair value due to adverse change	-10%	\$ -	2.8
	-20%	\$ 0.1	5.6
Residual cash flows discount rate		15.0%	15.0%
Decrease in fair value due to adverse change	-10%	\$ 0.1	3.6
	-20%	\$ 0.2	6.9

¹ The model for this securitization has been modified to respond to the current interest rate environment and the high volume of refinancings. The weighted average life assumption includes consideration of prepayment to determine the fair value of the capitalized residual cash flows.

² The prepayment speed assumption for the 2005 small business loan securitization is 4 - 15 Ramp in 25 months.

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on variations in assumptions cannot be extrapolated, as the relationship of the change in assumption to the change of fair value may not be linear. Also, the effect of a variation in one assumption is in reality, likely to further cause changes in other assumptions, which might magnify or counteract the sensitivities. On an ongoing basis, we change the fair value of retained interests based on current market assumptions.

At December 31, 2005 and 2004, the weighted average expected static pool credit losses for small business and jumbo

mortgage loans (through the date of repurchase) were 1.66% and 1.85%. Static pool losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets.

The following table presents quantitative information about delinquencies and net credit losses for those categories of loans for which securitizations existed at December 31. The Company only securitizes loans originated or purchased by Zions Bank. Therefore, only loans and related delinquencies and net credit losses of commonly managed Zions Bank loans are included (*in millions*):

	Principal balance December 31,		Principal balance of loans past due 30+ days ¹ December 31,		Net credit losses ²		
	2005	2004	2005	2004	2005	2004	2003
Home equity loans	\$ 663.1	691.8	0.9	0.7	(0.1)	0.2	0.1
Small business loans	3,282.8	2,953.1	27.7	27.4	2.3	(0.4)	6.7
Total loans managed or securitized – Zions Bank	3,945.9	3,644.9	28.6	28.1	2.2	(0.2)	6.8
Less loans securitized – Zions Bank ³	2,796.4	2,448.2					
Loans held in portfolio – Zions Bank	\$ 1,149.5	1,196.7					

¹ Loans greater than 30 days past due based on end of period total loans.

² Net credit losses are charge-offs net of recoveries and are based on total loans outstanding.

³ Represents the principal amount of the loans. Interest-only strips and other retained interests held for securitized assets are excluded because they are recognized separately.

Zions Bank provides a liquidity facility (“Liquidity Facility”) for a fee to Lockhart Funding, LLC (“Lockhart”), a qualifying special-purpose entity securities conduit. Lockhart purchases floating rate U.S. Government and AAA-rated securities with funds from the issuance of commercial paper. Zions Bank also provides interest rate hedging support and administrative and investment advisory services for a fee. Pursuant to the Liquidity Facility contract, Zions Bank is required to purchase securities from Lockhart to provide funds for Lockhart to repay maturing commercial paper upon Lockhart’s inability to access the commercial paper market, or upon a commercial paper market disruption as specified in governing documents for Lockhart. Pursuant to the governing documents, including the liquidity agreement, if any security in Lockhart is downgraded below AA-, Zions Bank may 1) place its letter of credit on the security, or 2) obtain credit enhancement from a third party, or 3) purchase the security from Lockhart at book value. At any given time, the

maximum commitment of Zions Bank is the book value of Lockhart’s securities portfolio, which is not allowed to exceed the size of the Liquidity Facility commitment. At December 31, 2005, the book value of Lockhart’s securities portfolio was \$5.3 billion, which approximated market value, and the size of the Liquidity Facility commitment was \$6.12 billion. No amounts were outstanding under the Liquidity Facility at December 31, 2005.

In June 2005 under the Liquidity Facility contract, Zions Bank repurchased for the first time a bond security from Lockhart at its book value of \$12.4 million because of a rating downgrade. Zions Bank recognized an impairment loss of \$1.6 million, which is included in fixed income securities gains (losses) for 2005. At December 31, 2005, this security was still rated as investment grade and Zions Bank expects to recover its investment plus contractual interest.

The FASB is deliberating a number of projects that propose to amend SFAS 140, including Exposure Drafts

relating to qualifying special-purpose entities and isolation of transferred assets, servicing rights, and other matters. These proposed amendments, among other things, may require changes to the operating activities of qualifying special-purpose entities and other aspects relating to the transfer of financial assets. Subject to the requirements of any final standards when they are issued, Lockhart's operations may need to be modified to preserve its off-balance sheet status as a qualifying special-purpose entity.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

SFAS 133, as currently amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities.

As required by SFAS 133, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative are recognized in earnings together with changes in the fair value of the related hedged item. The net amount, if any, representing hedge ineffectiveness, is reflected in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative are recorded in other comprehensive income and recognized in earnings when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized directly in earnings. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows on the derivative hedging instrument with

the changes in fair value or cash flows on the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

Our objective in using derivatives is to add stability to interest income or expense, to modify the duration of specific assets or liabilities as we consider necessary, and to manage exposure to interest rate movements or other identified risks. To accomplish this objective, we use interest rate swaps as part of our cash flow hedging strategy. The derivatives are used to hedge the variable cash flows associated with designated commercial loans and investment securities. We use fair value hedges to manage interest rate exposure to certain long-term debt. As of December 31, 2005, no derivatives were designated for hedges of investments in foreign operations.

Exposure to credit risk arises from the possibility of nonperformance by counterparties. These counterparties primarily consist of financial institutions that are well established and well capitalized. We control this credit risk through credit approvals, limits, pledges of collateral, and monitoring procedures. No losses on derivative instruments have occurred as a result of counterparty nonperformance. Nevertheless, the related credit risk is considered and measured when and where appropriate.

Interest rate swap agreements designated as cash flow hedges involve the receipt of fixed-rate amounts in exchange for variable-rate payments over the life of the agreements without exchange of the underlying principal amount. Fair value hedges are used to swap certain long-term debt from fixed-rate to floating rate. Derivatives not designated as hedges, including basis swap agreements, are not speculative and are used to manage our exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements of SFAS 133.

Selected information with respect to notional amounts, recorded fair values, and related income (expense) of derivative instruments is summarized as follows (*in thousands*):

	December 31, 2005			Year ended December 31, 2005			December 31, 2004			Year ended December 31, 2004		
	Notional amount	Fair value		Interest income	Other income (expense)	Offset to interest expense	Notional amount	Fair value		Interest income (expense)	Other income (expense)	Offset to interest expense
		Asset	Liability					Asset	Liability			
Cash flow hedges												
Interest rate swaps	\$ 3,036,000	246	69,375	7,094			2,561,000	5,980	14,770	44,394		
Basis swaps				7			50,000		13	(104)		
	3,036,000	246	69,375	7,101			2,611,000	5,980	14,783	44,290		
Nonhedges												
Interest rate swaps	355,629	3,038	2,828		(2,610)		446,985	4,266	5		(3,664)	
Interest rate swaps for customers	725,361	4,794	4,794		2,402		175,155	738	738		851	
Basis swaps	2,575,000	3,340	115		2,333		2,500,000	2,647	143		4,292	
	3,655,990	11,172	7,737		2,125		3,122,140	7,651	886		1,479	
Fair value hedges												
Long-term debt	1,450,000	41,638	868			8,906	850,000	41,716	936			29,252
Total	\$ 8,141,990	53,056	77,980	7,101	2,125	8,906	6,583,140	55,347	16,605	44,290	1,479	29,252

Interest rate swaps for customers result from a service we began providing in 2004. Upon issuance, all of these customer swaps are immediately “hedged” by offsetting derivative contracts, such that the Company has no net interest rate risk exposure resulting from the transaction. Fee income from customer swaps is included in other service charges, commissions and fees. As with other derivative instruments, we have credit risk for any nonperformance by counterparties.

Other income (expense) from nonhedge derivatives is included in market making, trading and nonhedge derivative income. Interest income on fair value hedges is used to offset interest expense on long-term debt. The change in net unrealized gains or losses for derivatives designated as cash flow hedges is separately disclosed in the statement of changes in shareholders’ equity and comprehensive income.

The amount charged to market making, trading and nonhedge derivative income in the statement of income for hedge ineffectiveness was approximately \$0.9 million in 2005. This resulted when the hedge accounting for two cash flow derivative contracts was discontinued because it was probable that the original forecasted transactions would not occur as originally expected. Any hedge ineffectiveness on cash flow and fair value hedges in 2004 and 2003 was not significant.

The remaining balances of any derivative instruments terminated prior to maturity, including amounts in accumulated other comprehensive income for swap hedges,

are amortized generally on a straight-line basis to interest income or expense over the period to their previously stated maturity dates.

Amounts reported in accumulated other comprehensive income related to derivatives are reclassified to interest income as interest payments are received on variable rate loans and investment securities. The change in net unrealized gains or losses on cash flow hedges discussed above reflects a reclassification of net unrealized gains or losses from accumulated other comprehensive income to interest income, as disclosed in the statement of changes in shareholders’ equity and comprehensive income. For 2006, we estimate that an additional \$28 million of losses will be reclassified.

8. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows at December 31 (*in thousands*):

	2005	2004
Land	\$ 137,231	91,963
Buildings	326,200	234,607
Furniture and equipment	434,131	380,794
Leasehold improvements	103,280	96,282
Total	1,000,842	803,646
Less accumulated depreciation and amortization	436,097	394,436
Net book value	\$ 564,745	409,210

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Core deposit and other intangible assets and related accumulated amortization are as follows at December 31 (*in thousands*):

	Gross carrying amount		Accumulated amortization		Net carrying amount	
	2005	2004	2005	2004	2005	2004
Core deposit intangibles	\$ 263,547	140,624	(102,309)	(88,169)	161,238	52,455
Customer relationships and other intangibles	40,188	3,715	(2,260)	(730)	37,928	2,985
	\$ 303,735	144,339	(104,569)	(88,899)	199,166	55,440

In 2005 as a result of the acquisition of Amegy, we recorded approximately \$124.1 million of core deposit intangibles and \$33.8 million of customer relationships and other intangibles. At the acquisition date, the weighted average amortization period for the Amegy intangibles was approximately 5.0 years and 3.4 years, respectively. As of December 31, 2005, the weighted average amortization period for core deposit intangibles and customer relationships and other intangibles was approximately 4.4 years and 3.3 years, respectively.

The amount of amortization expense of core deposit and other intangible assets is separately reflected in the statement of income. We have no intangible assets with indefinite lives.

Estimated amortization expense for core deposit and other intangible assets is as follows for the five years succeeding December 31, 2005:

2006	\$ 42,753
2007	37,012
2008	26,228
2009	19,698
2010	16,853

Changes in the carrying amount of goodwill by operating segment are as follows (*in thousands*):

	Zions Bank	CB&T	Amegy	NBA	NSB	Vectra	TCBW	Other	Consolidated Company
Balance as of January 1, 2004	\$ 21,300	385,831		62,397	21,051	163,573	-	-	654,152
Goodwill acquired during the year	1,203								1,203
Impairment losses	(602)								(602)
Goodwill written off from sale of branches						(12,108)			(12,108)
Balance as of December 31, 2004	21,901	385,831		62,397	21,051	151,465	-	-	642,645
Goodwill acquired during the year			1,248,070					1,187	1,249,257
Impairment losses	(602)								(602)
Goodwill reclassified to other liabilities		(3,712)							(3,712)
Balance as of December 31, 2005	\$ 21,299	382,119	1,248,070	62,397	21,051	151,465	-	1,187	1,887,588

See Note 3 for a discussion of the Amegy acquisition and the determination of the amount of goodwill.

In 2003, we recognized an impairment loss on goodwill of \$75.6 million due to a restructuring of Vectra. Part of the impairment loss consisted of \$7.1 million related to the sales of certain of Vectra's branches. The amount was determined by comparing the carrying value of the branches to their fair value based on bids, letters of intent and subsequent negotiations. The sales of these branches in 2004 removed \$12.1 million of goodwill, \$130 million of loans, and \$165

million of deposits from the Company's balance sheet. Gain from the sales was approximately \$0.7 million.

The remaining \$68.5 million of the impairment loss resulted from an impairment analysis on the retained operations of Vectra. The amount was determined based on the calculation process specified in SFAS 142, which compares carrying value to the determined fair values of assets and liabilities excluding the branches sold. The determination of the fair values was made with the assistance of independent valuation consultants by a combination of an income

approach using a discounted projected cash flow analysis and market value approaches using guideline companies and acquisition transactions.

The 2005 and 2004 impairment losses on goodwill of \$0.6 million removed all of the goodwill related to Zions Bank International Ltd. (“ZBI”), an odd-lot bond trading operation, due to the Company’s decision to restructure and ultimately close the London office in 2005.

During the fourth quarter of 2005, we completed the annual goodwill impairment review required by SFAS 142 and did not recognize any additional impairment losses.

The reduction in CB&T goodwill of \$3.7 million in 2005 resulted from the recognition of a portion of acquired state net operating loss carryforward benefits. This accounting follows the guidance of SFAS No. 109, *Accounting for Income Taxes*. There was no impact on net income.

10. DEPOSITS

At December 31, 2005, the scheduled maturities of all time deposits were as follows (*in thousands*):

2006	\$ 4,458,370
2007	655,930
2008	154,045
2009	95,393
2010	68,056
Thereafter	1,855
	<hr/>
	\$ 5,433,649

At December 31, 2005, the contractual maturities of domestic time deposits with a denomination of \$100,000 and over were as follows: \$714 million in 3 months or less, \$552 million over 3 months through 6 months, \$834 million over 6 months through 12 months, and \$415 million over 12 months.

Domestic time deposits \$100,000 and over were \$2.5 billion and \$1.3 billion at December 31, 2005 and 2004, respectively. Foreign time deposits \$100,000 and over from the Amegy acquisition were \$980 million at December 31, 2005.

Deposit overdrafts reclassified as loan balances were \$43 million and \$26 million at December 31, 2005 and 2004, respectively.

11. SHORT-TERM BORROWINGS

Selected information for short-term borrowings is as follows (*in thousands*):

	2005	2004	2003
Federal funds purchased:			
Average amount outstanding	\$ 1,456,531	1,393,344	1,298,761
Weighted average rate	3.02%	1.33%	1.09%
Highest month-end balance	\$ 1,683,509	1,841,092	1,694,841
Year-end balance	\$ 1,255,662	1,841,092	1,370,619
Weighted average rate on outstandings at year-end	3.97%	2.19%	0.97%
Security repurchase agreements:			
Average amount outstanding	\$ 850,510	1,288,982	1,306,041
Weighted average rate	2.30%	1.06%	0.87%
Highest month-end balance	\$ 1,027,658	1,363,420	1,421,771
Year-end balance	\$ 1,027,658	683,984	841,170
Weighted average rate on outstandings at year-end	2.62%	1.44%	0.59%

Short-term borrowings generally mature in less than 30 days. Our participation in security repurchase agreements is on an overnight or term basis. Certain overnight agreements are performed with sweep accounts in conjunction with a master repurchase agreement. In this case, securities under our control are pledged for and interest is paid on the collected balance of the customers’ accounts. For term repurchase agreements, securities are transferred to the applicable counterparty. The counterparty, in certain instances, is contractually entitled to sell or repledge securities accepted as collateral. As of December 31, 2005, overnight security repurchase agreements were \$1,008 million and term security repurchase agreements were \$20 million.

12. FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

Federal Home Loan Bank (“FHLB”) advances and other borrowings over one year are summarized as follows at December 31 (*in thousands*):

	2005	2004
FHLB advances, 3.66% – 7.30%	\$ 227,488	221,152
SBA notes payable, 5.49% – 8.64%	7,000	7,000
	<hr/>	
	\$ 234,488	228,152

The SBA notes payable are owed by a consolidated venture capital subsidiary. The weighted average interest rate on FHLB advances outstanding was 4.9% at December 31, 2005 and 2004.

The FHLB advances are borrowed by banking subsidiaries under their lines of credit, which are secured under a blanket pledge arrangement. The subsidiaries maintain unencumbered collateral with a carrying amount adjusted for the types of collateral pledged, equal to at least 100% of outstanding advances. Amounts of unused lines of credit available for additional FHLB advances totaled \$4.2 billion at December 31, 2005.

Interest expense on FHLB advances and other borrowings over one year was \$11.5 million in 2005, \$11.7 million in 2004, and \$12.3 million in 2003.

Maturities of FHLB advances and other borrowings with original maturities over one year are as follows at December 31, 2005 (*in thousands*):

2006	\$ 2,226
2007	2,218
2008	3,613
2009	2,795
2010	103,619
Thereafter	120,017
	\$ 234,488

13. LONG-TERM DEBT

Long-term debt at December 31 is summarized as follows (*in thousands*):

	2005	2004
Junior subordinated debentures related to trust preferred securities	\$ 645,459	497,340
Subordinated notes	1,713,296	1,043,059
Senior medium-term notes	149,112	148,984
Capital lease obligations and other	3,499	1,206
	\$ 2,511,366	1,690,589

The preceding amounts represent the par value of the debt adjusted for any unamortized premium or discount or other basis adjustments related to hedging the debt with derivative instruments.

As discussed in Note 1, beginning in 2004 we deconsolidated the trusts involved in trust preferred borrowing arrangements. We are not the primary beneficiary of these trusts as defined by FIN 46R.

Junior subordinated debentures related to trust preferred securities include Zions Institutional Capital Trust A ("ZICTA"), CSBI Capital Trust I ("CSBICT"), GB Capital

Trust ("GBCT"), Zions Capital Trust B ("ZCTB"), and Statutory Trusts I, II and III ("Statutory I, II or III") as follows at December 31, 2005 (*in thousands*):

	Balance	Interest rate	Early redemption/ maturity	Interest distributions
ZICTA	\$ 177,880	8.536%	Dec 2006/ Dec 2026	Semiannually
CSBICT	22,570	11.75%	Jun 2007/Jun 2027	Quarterly
GBCT	2,382	10.25%	Jan 2007/Jan 2027	Semiannually
ZCTB	293,141	8.00%	Sep 2007/Sep 2032	Quarterly
Statutory I	51,547	3mL+2.85% ¹ (7.35%)	Dec 2008/Dec 2033	Quarterly
Statutory II	36,083	3mL+1.90% ¹ (6.05%)	Oct 2009/Oct 2034	Quarterly
Statutory III	61,856	3mL+1.78% ¹ (6.27%)	Dec 2009/Dec 2034	Quarterly
	\$ 645,459			

¹ Designation of "3mL" is 3-month LIBOR; effective interest rate at December 31, 2005 is shown in parenthesis.

The junior subordinated debentures are issued by the Company (or by Zions Bank in the case of ZICTA and by Amegy Corporation in the case of Statutory I, II and III) and relate to a corresponding series of trust preferred security obligations issued by the trusts. The trust obligations are in the form of capital securities subject to mandatory redemption upon repayment of the junior subordinated debentures by the Company. The sole assets of the trusts are the junior subordinated debentures.

Interest distributions are made at the same rates earned by the trusts on the junior subordinated debentures; however, we may defer the payment of interest on the junior subordinated debentures. Early redemption of the debentures requires the approval of banking regulators. The debentures for CSBICT, GBCT and ZCTB are direct and unsecured obligations of the Company and are subordinate to other indebtedness and general creditors. The debentures for ZICTA are direct and unsecured obligations of Zions Bank and are subordinate to the claims of depositors and general creditors. The debentures for Statutory I, II and III are direct and unsecured obligations of Amegy Corporation and are subordinate to other indebtedness and general creditors. The Company has unconditionally guaranteed the obligations of ZICTA, CSBICT, GBCT, and ZCTB with respect to their respective series of trust preferred securities to the extent set forth in the applicable guarantee agreements. The Company has also unconditionally guaranteed the obligations of Zions

Bank with respect to the debentures for ZICTA to the extent set forth in the applicable guarantee agreement. Amegy Corporation has unconditionally guaranteed the obligations of Statutory I, II and III with respect to their respective series of trust preferred securities to the extent set forth in the applicable guarantee agreements. The debentures, trust preferred securities, and our guarantees for the ZCTB debentures are registered with the Securities and Exchange Commission ("SEC").

In 2004, we terminated the existing fair value hedge derivatives on the debentures for ZICTA and ZCTB. Total carrying value for these hedges was approximately \$0.9 million and \$2.1 million at December 31, 2005 and 2004, respectively. All fair value hedges associated with long-term debt and these terminations are accounted for in accordance with SFAS 133, as discussed in Note 7.

Subordinated notes consist of the following at December 31, 2005 (*in thousands*):

Interest rate	Balance	Par amount	Early redemption	Maturity
6.95%	\$ 104,156	104,156	May 2006	May 2011
6.50%	98,425	98,425	Oct 2006	Oct 2011
6.00%	523,685	500,000	na	Sep 2015
5.65%	305,999	300,000	na	May 2014
5.50%	606,031	600,000	na	Nov 2015
3mL+1.25% ¹ (5.31%)	75,000	75,000	na	Sep 2014
	\$ 1,713,296			

¹ Designation of "3mL" is 3-month LIBOR; effective interest rate at December 31, 2005 is shown in parenthesis.

The 6.95% notes are issued through a subsidiary, Zions Financial Corp. In 2003, we repurchased \$95.8 million of the 6.95% notes and \$101.6 million of the 6.50% notes. The associated debt extinguishment cost of \$24.2 million is separately included in noninterest expense in the 2003 statement of income. Should early redemption not occur for the 6.95% or 6.50% notes, the interest rate becomes variable through maturity at one-month LIBOR plus 2.86% and

one-month LIBOR plus 3.01%, respectively. The Company has unconditionally guaranteed the 6.95% notes. The 3-month LIBOR notes are issued by Amegy Corporation.

We hedged the 6.00%, 5.65% and 5.50% notes with LIBOR-based floating interest rate swaps whose recorded fair values at December 31, 2005 were \$24.5 million, \$6.3 million and \$10.8 million, respectively, and at December 31, 2004 were \$31.7 million and \$10.1 million for the 6.00% and 5.65% notes, respectively. We issued the 5.50% notes in November 2005 in connection with our acquisition of Amegy, as discussed in Note 3. The notes were issued under our existing shelf registration filed with the SEC.

Fixed rate senior medium-term notes consist of \$150 million at par that require semiannual interest payments at 2.70% through maturity in May 2006. We hedged these notes with LIBOR-based floating interest rate swaps whose recorded fair value was \$(0.9) million at December 31, 2005 and 2004.

Interest expense on long-term debt was \$104.9 million in 2005, \$74.3 million in 2004, and \$57.3 million in 2003. Interest expense was reduced by \$8.9 million in 2005, \$29.2 million in 2004, and \$22.6 million in 2003 as a result of the associated hedges.

Maturities on long-term debt are as follows for the years succeeding December 31, 2005 (*in thousands*):

	Consolidated	Parent only
2006	\$ 150,675	149,980
2007	557	
2008	593	
2009	650	
2010	655	
Thereafter	2,316,571	1,817,211
	\$ 2,469,701	1,967,191

These maturities do not include the associated hedges. The Parent only maturities include \$324.7 million of subordinated debt payable to CSBICT, GBCT and ZCTB after 2010.

14. SHAREHOLDERS' EQUITY

Changes in accumulated other comprehensive income (loss) are summarized as follows (*in thousands*):

	2005	2004	2003
Accumulated net unrealized gains on investments, retained interests and other at beginning of year, net of tax	\$ 19,774	24,015	44,151
Net realized and unrealized holding losses during the year, net of tax benefit of \$17,580 in 2005, \$2,244 in 2004, and \$3,225 in 2003	(28,380)	(3,622)	(5,207)
Foreign currency translation	(1,507)	803	-
Reclassification for net realized gains recorded in operations, net of tax expense of \$408 in 2005, \$881 in 2004, and \$9,248 in 2003	(659)	(1,422)	(14,929)
Effect on other comprehensive income for the year	(30,546)	(4,241)	(20,136)
Accumulated net unrealized gains (losses) on investments, retained interests and other at end of year, net of tax	(10,772)	19,774	24,015
Accumulated net unrealized gains (losses) on derivative instruments at beginning of year, net of tax	(9,493)	10,716	25,420
Net unrealized losses on derivative instruments during the year, net of reclassification to operations of \$7,101 in 2005, \$44,290 in 2004, and \$42,990 in 2003, and tax benefit of \$25,474 in 2005, \$12,574 in 2004, and \$9,312 in 2003	(40,771)	(20,209)	(14,704)
Accumulated net unrealized gains (losses) on derivative instruments at end of year, net of tax	(50,264)	(9,493)	10,716
Accumulated minimum pension liability at beginning of year, net of tax	(18,213)	(15,690)	(23,357)
Minimum pension liability, net of tax expense (benefit) of \$(2,426) in 2005, \$(1,579) in 2004, and \$4,965 in 2003	(3,794)	(2,523)	7,667
Accumulated minimum pension liability at end of year, net of tax	(22,007)	(18,213)	(15,690)
Accumulated other comprehensive income (loss) at beginning of year, net of tax	(7,932)	19,041	46,214
Other comprehensive loss during the year	(75,111)	(26,973)	(27,173)
Accumulated other comprehensive income (loss) at end of year, net of tax	\$ (83,043)	(7,932)	19,041

Stock redeemed and retired in the statements of shareholders' equity consists of repurchased common shares under a share repurchase program authorized by our Board of Directors. Repurchases of common shares were suspended in July 2005 upon the announcement of our acquisition of Amegy and will not resume until the Company achieves a tangible common equity ratio of at least 6.25%. The Company

also repurchased \$1.5 million of shares related to the Company's restricted stock employee incentive program.

The amount of deferred compensation invested in the Company's common stock and included in shareholders' equity at December 31, 2005 of \$16.3 million includes the \$5.1 million cost of the Company's common stock held in rabbi trusts established for certain employees and directors. We consolidate the fair value of invested assets and the total obligations of the trusts in our financial statements. At December 31, 2005, total invested assets of the trusts of approximately \$38.2 million were included in other assets. Total obligations of the trusts of approximately \$43.3 million were included in other liabilities. Also included in deferred compensation is the value of Amegy's nonvested restricted stock and stock options of \$3.9 million assumed in the acquisition and \$7.3 million, which is the unearned portion of restricted stock issued by the Company during 2005.

We have in place a Shareholder Rights Protection Plan ("Plan") that contains provisions intended to protect our shareholders if certain events occur. These events include, but are not limited to, unsolicited offers or attempts to acquire the Company including offers that do not treat all shareholders equally, acquisitions in the open market of shares constituting control without offering fair value to all shareholders, and other coercive or unfair takeover tactics that could impair our Board of Directors' ability to fully represent shareholders' interests. The Plan provides that attached to each share of common stock is one right ("Right") to purchase one one-hundredth of a share of participating preferred stock for an exercise price of \$90, subject to adjustment. The Rights have certain antitakeover effects and may cause substantial dilution to a person who attempts to acquire the Company without the approval of the Board of Directors. The Rights, however, should not affect offers for all outstanding shares of common stock at a fair price or are otherwise in the best interests of the Company and its shareholders as determined by the Board of Directors. The Board of Directors may at its option redeem all, but not fewer than all, of the then outstanding Rights at any time until the tenth business day following a public announcement that a person or a group had acquired beneficial ownership of 10% or more of our outstanding common stock or total voting power.

15. DISCONTINUED OPERATIONS, IMPAIRMENT LOSSES, AND RESTRUCTURING CHARGES

Other noninterest expense in 2003 includes a loss on discontinued operations of \$1.8 million, which consists of the loss from operations of a discontinued nonbank financial service subsidiary of \$0.5 million, loss on sale of this subsidiary of \$2.4 million, and an income tax benefit of \$1.1 million.

Impairment losses on long-lived assets relate to certain capitalized management software and to certain branch closings in 2003 by Zions Bank. Impairment losses were determined by comparing the carrying value to fair value, estimated by using discounted cash flow approaches.

SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, requires companies to recognize restructuring charges as they are incurred rather than at the date a plan or commitment to exit is initiated.

In 2005 and 2004, the restructuring charges of \$2.4 million and \$1.1 million, respectively, relate to the ZBI restructuring discussed in Note 9. In 2003, the restructuring charges of \$1.9 million consist of \$1.4 million in consulting fees for the Vectra restructuring discussed in Note 9 and \$0.5 million for certain branch closings in Utah.

16. INCOME TAXES

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

	2005	2004	2003
Federal:			
Current	\$ 250,280	203,852	190,013
Deferred	(32,362)	(21,914)	(13,529)
State	45,500	38,188	37,267
	\$ 263,418	220,126	213,751

Income tax expense computed at the statutory federal income tax rate of 35% reconciles to actual income tax expense as follows (*in thousands*):

	2005	2004	2003
Income tax expense at statutory federal rate	\$ 259,660	218,537	190,536
State income taxes, net	29,575	24,821	24,223
Nondeductible expenses	2,138	1,714	32,051
Nontaxable income	(19,905)	(19,595)	(17,445)
Tax credits and other taxes	(5,722)	(4,902)	(2,116)
Corporate reorganization	-	-	(10,923)
Other	(2,328)	(449)	(2,575)
	\$ 263,418	220,126	213,751

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

	2005	2004
Gross deferred tax assets:		
Book loan loss deduction in excess of tax	\$ 131,938	110,522
Postretirement benefits	3,217	3,360
Deferred compensation	39,101	33,949
Deferred loan fees	3,326	4,034
Accrued severance costs	2,050	2,268
Minimum pension liability	14,169	11,743
Loan sales	33,138	25,711
Security investments and derivative market adjustments	7,460	-
Equity investments	14,125	8,583
Other	20,074	15,841
Total deferred tax assets	268,598	216,011
Gross deferred tax liabilities:		
Core deposits and purchase accounting	(46,729)	(19,752)
Premises and equipment, due to differences in depreciation	(11,926)	(4,877)
FHLB stock dividends	(14,107)	(11,187)
Leasing operations	(79,251)	(85,095)
Security investments and derivative market adjustments	-	(37,140)
Prepaid expenses	(4,965)	(4,557)
Prepaid pension reserves	(915)	(1,194)
Other	(10,933)	(10,094)
Total deferred tax liabilities	(168,826)	(173,896)
Net deferred tax assets	\$ 99,772	42,115

The amount of net deferred tax assets is included with other assets in the balance sheet. We have determined that a valuation reserve is not required for any deferred tax assets because it is more-likely-than-not that such assets will be realized principally through future taxable income. This

conclusion is based on the history of growth in earnings and the prospects for continued growth and profitability.

In July 2005, the FASB proposed an interpretation, *Accounting for Uncertain Tax Positions*, which would apply to all open tax positions accounted for according to SFAS 109. Under the proposed interpretation, a tax benefit would only be recognized when an entity is actually entitled to the benefit using the more-likely-than-not recognition threshold. Measurement of the benefit would be based on the “best estimate” of the ultimate tax benefit that will be sustained upon audit by the taxing authority. Based on the Company’s current practices with respect to open tax positions, the issuance of this interpretation as proposed would not have a material effect on our financial condition, liquidity, or results of operations.

In 2004, we signed an agreement that confirmed and implemented our award of a \$100 million allocation of tax credit authority under the Community Development Financial Institutions Fund set up by the U.S. Government. Under the program, we will invest up to \$100 million in a wholly-owned subsidiary, which will make qualifying loans and investments. In return, we will receive federal income tax credits that will be recognized over seven years, including the year in which the funds were invested in the subsidiary. We recognize these tax credits for financial reporting purposes in the same year the tax benefit is recognized in our tax return. As of December 31, 2005 and 2004, we had invested \$80 million and \$60 million, respectively, which resulted in tax credits that reduced income tax expense by approximately \$4.0 million in 2005 and \$3.0 million in 2004.

Included in other liabilities are reserves of approximately \$29 million primarily for various state tax contingencies in several jurisdictions. These reserves are less than 3% of total taxes paid during the last five years.

The exercise of stock options under our share-based compensation plans on a nonqualified basis resulted in tax benefits reducing our current income tax payable and increasing common stock by \$13.5 million in 2005, \$8.8 million in 2004, and \$5.2 million in 2003.

17. 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*):

	2005	2004	2003
Basic:			
Net income	\$ 480,121	405,987	337,823
Average common shares outstanding	91,187	89,663	90,048
Net income per common share	\$ 5.27	4.53	3.75
Diluted:			
Net income	\$ 480,121	405,987	337,823
Average common shares outstanding	91,187	89,663	90,048
Effect of dilutive common stock options and other stock awards	1,807	1,219	686
Average diluted common shares outstanding	92,994	90,882	90,734
Net income per common share	\$ 5.16	4.47	3.72

Net income and net income per common share for 2003 include a loss on discontinued operations of \$1.8 million and \$0.02 per basic and diluted common share.

18. SHARE-BASED COMPENSATION

During 2005, we adopted a new stock option and incentive plan which allows us to grant stock options and issue restricted stock to employees and nonemployee directors. This new plan replaced our previous qualified and nonqualified plans for employees and nonemployee directors. At December 31, 2005, the remaining authorized shares of the new plan were 7,839,680 out of the total authorized of 8,900,000.

Options granted to employees under the new and previous plans vest at the rate of one third each year and expire seven years after the date of grant. Options granted to nonemployee directors under the new and previous plans are exercisable in increments from six months to three and a half years and expire ten years after the date of grant.

At the time of adopting the new plan, we discontinued our broad-based employee stock option plan; however, existing options continue to vest at the rate of one third each year and expire four years after the date of grant.

The following table summarizes our stock option activity and related information for the three years ended December 31, 2005:

	Number of shares	Weighted average exercise price
Balance at December 31, 2002	7,482,883	\$ 50.04
Granted	2,136,851	45.15
Exercised	(1,319,892)	44.01
Expired	(196,373)	56.04
Forfeited	(532,824)	50.78
Balance at December 31, 2003	7,570,645	49.51
Granted	2,279,621	57.28
Exercised	(1,812,594)	48.32
Expired	(170,662)	52.54
Forfeited	(233,235)	51.59
Balance at December 31, 2004	7,633,775	51.98
Granted	912,905	71.37
Assumed in Amegy acquisition	1,559,693	47.44
Exercised	(1,872,753)	50.00
Expired	(519,521)	66.53
Forfeited	(216,533)	55.46
Balance at December 31, 2005	7,497,566	52.79
Outstanding options exercisable as of:		
December 31, 2005	4,663,707	\$ 49.04
December 31, 2004	3,711,405	51.02
December 31, 2003	3,913,524	50.35

Selected information on stock options as of December 31, 2005 follows:

Exercise price range	Outstanding options			Exercisable options	
	Number of shares	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of shares	Weighted average exercise price
\$ 0.32 to \$ 19.99	141,931	\$ 12.43	1.5 ¹	141,931	\$ 12.43
\$ 20.00 to \$ 29.99	154,111	25.14	2.8	154,111	25.14
\$ 30.00 to \$ 39.99	101,906	31.04	4.0	101,906	31.04
\$ 40.00 to \$ 44.99	1,719,790	42.19	3.5	1,304,315	42.24
\$ 45.00 to \$ 49.99	520,453	48.30	5.4	473,510	48.32
\$ 50.00 to \$ 54.99	1,410,602	53.69	3.4	1,403,105	53.69
\$ 55.00 to \$ 59.99	2,019,298	56.98	5.5	761,482	57.38
\$ 60.00 to \$ 64.99	265,866	61.64	3.9	142,825	62.00
\$ 65.00 to \$ 69.99	254,808	67.22	7.6	161,024	67.39
\$ 70.00 to \$ 76.51	908,801	71.49	6.6	19,498	72.46
	7,497,566	52.79	4.7¹	4,663,707	48.66

¹ The weighted average remaining contractual life excludes 42,244 stock options which expire between the date of termination and one year from date of termination, depending upon certain circumstances.

The previous tables do not include options for employees to purchase common stock of our subsidiary, NetDeposit, Inc. At December 31, 2005, there were options to purchase 7,876,000 shares at exercise prices from \$0.50 to \$1.00. NetDeposit options are included in the pro forma disclosure in Note 1. At December 31, 2005, there were 72,023,006 issued and outstanding shares of NetDeposit common stock.

Restricted stock issued under the new plan vests over four years during which time the holder receives dividends and has full voting rights. Compensation cost recognized for issuances of restricted stock was \$1,712,454 in 2005 and \$24,598 in 2004. The following table summarizes our restricted stock activity through December 31, 2005:

	Number of shares	Weighted average grant price
Nonvested restricted shares at December 31, 2003	-	
Granted	10,000	\$ 61.07
Nonvested restricted shares at December 31, 2004	10,000	61.07
Granted	168,134	70.81
Assumed in Amegy acquisition	143,504	57.45
Vested	(114,162)	56.41
Forfeited	(3,493)	70.90
Nonvested restricted shares at December 31, 2005	203,983	68.99

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment*, which is a revision of SFAS 123. SFAS 123R supersedes APB 25 and amends SFAS No. 95, *Statement of Cash Flows*. SFAS 123R utilizes a “modified grant-date” approach in which the fair value of an equity award is estimated on the grant date without regard to service or performance vesting conditions. Generally, this approach is similar to that of SFAS 123. However, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of income based on their fair values. The pro forma disclosure permitted by SFAS 123 as shown in Note 1 will no longer be an alternative. Other FSPs providing explanatory guidance for the implementation SFAS 123R were issued in the latter part of 2005.

SFAS 123R is effective for public companies for interim or annual periods beginning after June 15, 2005. In April

2005, the SEC announced that it was amending Regulation S-X to provide up to a six-month delay for the adoption of SFAS 123R, or January 1, 2006 for calendar year public companies. We will adopt SFAS 123R beginning January 1, 2006 using the “modified prospective” method. Under this method, compensation cost is recognized beginning with the effective date based on the requirements of SFAS 123R for all share-based payments granted after the effective date, and based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date.

As permitted by SFAS 123, we currently account for share-based payments to employees using the intrinsic value method of APB 25 and, as such, generally recognize no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123R’s fair value method will have a significant impact on our results of operations, although it will have no impact on our overall financial position. The impact of adopting SFAS 123R on future operating periods is estimated to approximate the 2005 impact of SFAS 123 as described in the disclosure of pro forma net income and net income per common share in Note 1, although the actual impact of adopting SFAS 123R will depend on the level of share-based payments to be granted in future periods.

SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current accounting literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While we cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior years for such excess tax deductions has not been significant.

19. COMMITMENTS, GUARANTEES, AND CONTINGENT LIABILITIES

We use certain derivative instruments and other financial instruments in the normal course of business to meet the financing needs of our customers, to reduce our own exposure to fluctuations in interest rates, and to make a market in U.S. government, agency, corporate, and municipal

securities. These financial instruments involve, to varying degrees, elements of credit, liquidity, and interest rate risk in excess of the amount recognized in the balance sheet. Derivative instruments are discussed in Note 7.

FASB Interpretation No. 45 (“FIN 45”), *Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, establishes guidance for guarantees and related obligations. Financial and performance standby letters of credit are guarantees that come under the provisions of FIN 45.

Contractual amounts of the off-balance sheet financial instruments used to meet the financing needs of our customers are as follows at December 31 (*in thousands*):

	2005	2004
Commitments to extend credit	\$ 13,682,763	9,496,092
Standby letters of credit:		
Financial	1,015,019	646,489
Performance	240,763	136,660
Commercial letters of credit	136,472	65,608

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

While establishing commitments to extend credit creates credit risk, a significant portion of such commitments is expected to expire without being drawn upon. As of December 31, 2005, \$6.3 billion of commitments expire in 2006. We use the same credit policies and procedures in making commitments to extend credit and conditional obligations as we do for on-balance sheet instruments. These policies and procedures include credit approvals, limits, and monitoring.

We issue standby and commercial letters of credit as conditional commitments generally to guarantee the performance of a customer to a third party. The guarantees are primarily issued to support public and private borrowing

arrangements, including commercial paper, bond financing, and similar transactions. Standby letters of credit include remaining commitments of \$810 million expiring in 2006 and \$446 million expiring thereafter through 2020. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. We generally hold marketable securities and cash equivalents as collateral supporting those commitments for which collateral is deemed necessary. At December 31, 2005, the carrying value recorded by the Company as a liability for these guarantees was \$4.3 million.

Certain mortgage loans sold have limited recourse provisions for periods ranging from 3 months to one year. The amount of losses resulting from the exercise of these provisions has not been significant.

At December 31, 2005, we had commitments to make venture investments of \$31.6 million. These obligations have no stated maturity.

As a market maker in U.S. Government, agency, corporate, and municipal securities, we enter into agreements to purchase and sell such securities. As of December 31, 2005 and 2004, we had outstanding commitments to purchase securities of \$30 million and \$25 million and outstanding commitments to sell securities of \$22 million and \$23 million, respectively. These agreements at December 31, 2005 have remaining terms of one month or less.

The contractual or notional amount of financial instruments indicates a level of activity associated with a particular class of financial instrument and is not a reflection of the actual level of risk. As of December 31, 2005 and 2004, the regulatory risk-weighted values assigned to all off-balance sheet financial instruments and derivative instruments described herein were \$6.1 billion and \$3.5 billion, respectively.

At December 31, 2005, we were required to maintain cash balances of \$51 million with the Federal Reserve Banks to meet minimum balance requirements in accordance with Federal Reserve Board regulations.

As of December 31, 2005, the Parent has guaranteed approximately \$580.3 million of debt issued by our subsidiaries, as discussed in Note 13. See Note 6 for the discussion of Zions Bank's commitment of \$6.12 billion at December 31, 2005 to Lockhart, which is a qualifying special-purpose entity securities conduit.

We are a defendant in various legal proceedings arising in the normal course of business. We do not believe that the outcome of any such proceedings will have a material effect on our results of operations, financial position, or liquidity.

We have commitments for leasing premises and equipment under the terms of noncancelable capital and operating leases expiring from 2006 to 2067. Premises leased under capital leases at December 31, 2005 were \$12.9 million and accumulated amortization was \$12.6 million. Amortization applicable to premises leased under capital leases is included in depreciation expense.

Future aggregate minimum rental payments under existing noncancelable operating leases at December 31, 2005 are as follows (*in thousands*):

2006	\$ 34,811
2007	36,928
2008	35,792
2009	31,497
2010	26,996
Thereafter	184,162
	<hr/>
	\$ 350,186

Future aggregate minimum rental payments have been reduced by noncancelable subleases as follows: \$2.1 million in 2006, \$1.7 million in 2007, \$1.1 million in 2008, \$0.9 million in 2009, \$0.5 million in 2010, and \$0.9 million thereafter. Aggregate rental expense on operating leases amounted to \$41.6 million in 2005, \$40.6 million in 2004, and \$40.1 million in 2003.

In October 2003, we entered into a new lease agreement on our corporate headquarters which provides for a rent holiday during reconstruction of the building. The reconstruction began in March 2005 and the lease term of this operating lease began in October 2005. We continue to record and defer rent expense during the rent holiday at applicable lease rates based on our occupancy of the building. We will also record leasehold improvements funded by the landlord incentive and will amortize them over their estimated useful lives or the term of the lease, whichever is shorter. The amount of deferred rent, including the leasehold improvements, will be amortized using the straight-line method over the term of the lease. This accounting is consistent with a related FASB FSP issued in October 2005 and other SEC guidance.

20. REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the following table) of Total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). We believe, as of December 31, 2005, that we meet all capital adequacy requirements to which we are subject.

As of December 31, 2005, our capital ratios exceeded the minimum capital levels, and we are considered well capitalized under the regulatory framework for prompt corrective action. Our subsidiary banks also met the well capitalized minimum with the temporary exception of Amegy. In February 2006, the Company brought Amegy above the well capitalized level by structuring subordinated debt with the Parent. To be categorized as well capitalized, we must maintain minimum Total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events that we believe have changed our regulatory category.

Dividends declared by our banking subsidiaries in any calendar year may not, without the approval of the appropriate federal regulator, exceed their net earnings for that year combined with their net earnings less dividends paid for the preceding two years. We are also required to maintain the banking subsidiaries at the well capitalized level. At December 31, 2005, our subsidiaries had approximately \$339.5 million available for the payment of dividends under the foregoing restrictions.

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

	Actual		Minimum for capital adequacy purposes		To be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2005:						
Total capital (to risk-weighted assets)						
The Company	\$ 4,602,772	12.23%	\$ 3,010,880	8.00%	\$ 3,763,600	10.00%
Zions First National Bank	1,234,862	11.06	893,483	8.00	1,116,854	10.00
California Bank & Trust	1,086,594	10.90	797,474	8.00	996,843	10.00
Amegy Bank N.A.	609,400	8.65	563,895	8.00	704,869	10.00
Tier I capital (to risk-weighted assets)						
The Company	2,830,419	7.52	1,505,440	4.00	2,258,160	6.00
Zions First National Bank	807,615	7.23	446,742	4.00	670,113	6.00
California Bank & Trust	692,103	6.94	398,737	4.00	598,106	6.00
Amegy Bank N.A.	559,364	7.94	281,948	4.00	422,922	6.00
Tier I capital (to average assets)						
The Company	2,830,419	8.16	1,040,785	3.00	1,734,642	5.00
Zions First National Bank	807,615	6.35	381,662	3.00	636,104	5.00
California Bank & Trust	692,103	6.81	304,711	3.00	507,852	5.00
Amegy Bank N.A.	559,364	8.10	207,246	3.00	345,410	5.00
As of December 31, 2004:						
Total capital (to risk-weighted assets)						
The Company	\$ 3,844,451	14.05%	\$ 2,189,007	8.00%	\$ 2,736,258	10.00%
Zions First National Bank	1,053,289	10.88	774,802	8.00	968,503	10.00
California Bank & Trust	982,233	10.92	719,792	8.00	899,740	10.00
Tier I capital (to risk-weighted assets)						
The Company	2,558,568	9.35	1,094,503	4.00	1,641,755	6.00
Zions First National Bank	701,667	7.24	387,401	4.00	581,102	6.00
California Bank & Trust	615,618	6.84	359,896	4.00	539,844	6.00
Tier I capital (to average assets)						
The Company	2,558,568	8.31	924,096	3.00	1,540,160	5.00
Zions First National Bank	701,667	6.05	347,689	3.00	579,481	5.00
California Bank & Trust	615,618	6.45	286,486	3.00	477,477	5.00

21. RETIREMENT PLANS

We have a noncontributory defined benefit pension plan for eligible employees. Plan benefits are based on years of service and employees' compensation levels. Benefits vest under the plan upon completion of five years of vesting service. Plan assets consist principally of corporate equity securities, mutual fund investments, and cash investments. Plan benefits are defined as a lump-sum cash value or an annuity at retirement age.

The Board of Directors approved significant changes to the pension plan effective January 1, 2003. New employees

subsequent to that date are not allowed to participate in the amended plan. Benefit accruals for existing participants ceased as of that date with the following grandfathering exceptions. Participants age 55 and over with 10 years of service by December 31, 2002 may receive reduced future earnings credits in accordance with a reduced schedule. Participants age 55 and over with 10 years of service as of March 31, 1997 continue to receive future earnings credits without reduction.

The following table presents the change in benefit obligation, change in fair value of plan assets, and funded status of the plan and amounts recognized in the balance sheet as of the measurement date of December 31 (*in thousands*):

	2005	2004
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 148,962	138,434
Service cost	557	598
Interest cost	8,630	8,430
Actuarial loss	7,589	8,281
Benefits paid	(8,334)	(6,781)
Benefit obligation at end of year	157,404	148,962
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	122,444	115,785
Actual return on plan assets	10,178	13,439
Benefits paid	(8,334)	(6,781)
Fair value of plan assets at end of year	124,288	122,443
Funded status	(33,116)	(26,519)
Unrecognized net actuarial loss	35,420	29,649
Net amount recognized	\$ 2,304	3,130
Amounts recognized in the balance sheet consist of:		
Accrued benefit liability	\$ (32,590)	(25,888)
Accumulated other comprehensive income	34,894	29,018
Net amount recognized	\$ 2,304	3,130

The accumulated benefit obligation for the pension plan was \$156.9 million and \$148.3 million as of December 31, 2005 and 2004, respectively. We do not expect to make any contributions to the pension plan in 2006.

The following table presents the components of net periodic benefit cost for the plan (*in thousands*):

	2005	2004	2003
Service cost	\$ 557	598	636
Interest cost	8,630	8,430	8,426
Expected return on plan assets	(10,211)	(9,650)	(7,901)
Amortization of net actuarial loss	1,850	1,179	2,335
Net periodic benefit cost	\$ 826	557	3,496

Weighted average assumptions used for the plan are as follows:

	2005	2004	2003
Used to determine benefit obligation at year-end:			
Discount rate	5.60%	5.75%	6.25%
Rate of compensation increase	4.25	4.25	4.00
Used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	5.75	6.25	6.75
Expected long-term return on plan assets	8.60	8.60	8.60
Rate of compensation increase	4.25	4.00	4.00

The discount rate reflects the yields available on long-term, high-quality fixed-income debt instruments with cash flows similar to the obligations of the plan, reset annually on the measurement date. The expected long-term rate of return on plan assets is based on a review of the target asset allocation of the plan. This rate is intended to approximate the long-term rate of return that we anticipate receiving on the plan's investments, considering the mix of the assets that the Plan holds as investments, the expected return of those underlying investments, the diversification of those investments, and the rebalancing strategy employed. An expected long-term rate of return is assumed for each asset class and an underlying inflation rate assumption is determined. The projected rate of compensation increases is management's estimate of future pay increases that the remaining eligible employees will receive until their retirement.

Weighted average asset allocations at December 31 for the pension plan are as follows:

	2005	2004
Equity securities	5%	5%
Mutual funds:		
Equity funds	14	27
Debt funds	17	17
Other:		
Insurance company separate accounts – equity investments	59	43
Guaranteed deposit account	5	8
	100%	100%

The pension plan's investment strategy is predicated on its investment objectives and the risk and return expectations of asset classes appropriate for the plan. Investment objectives

have been established by considering the plan's liquidity needs and time horizon and the fiduciary standards under ERISA. The asset allocation strategy is developed to meet the plan's long-term needs in a manner designed to control volatility and to reflect risk tolerance. Current target allocation percentages are 75% invested in equities and 25% invested in fixed income assets.

Equity securities consist of 89,957 shares of Company common stock with a fair value of \$6.8 million at December 31, 2005, and 95,645 shares with a fair value of \$6.5 million at December 31, 2004. Dividends received by the plan were approximately \$130 thousand in 2005 and \$119 thousand in 2004.

Benefit payments to pension plan participants, which reflect expected future service as appropriate, are estimated as follows for the years succeeding December 31, 2005 (*in thousands*):

2006	\$ 7,060
2007	8,030
2008	8,008
2009	9,070
2010	9,801
Years 2011 - 2015	50,633

Amegy also has a defined benefit pension plan and has recorded a minimum pension liability of approximately \$2.1 million at December 31, 2005. This plan is frozen and we intend to terminate the plan.

We are also obligated under several unfunded nonqualified supplemental retirement plans for certain current and former employees. At December 31, 2005 and 2004, our liability included in other liabilities totaled \$18.9 million and \$18.2 million, respectively, for these plans. The minimum pension liability in accumulated other comprehensive income at December 31, 2005 and 2004 includes \$0.8 million (net of taxes of \$0.5 million) and \$0.6 million (net of taxes of \$0.3 million), respectively, for these plans.

In addition to our defined benefit pension plan, we sponsor an unfunded defined benefit health care plan that provides postretirement medical benefits to full-time employees hired before January 1, 1993, who meet minimum age and service requirements. The plan is contributory, with

retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. Plan coverage is provided by self-funding or health maintenance organizations (HMOs) options. Reductions in our obligations to provide benefits resulting from cost sharing changes have been applied to reduce the plan's unrecognized transition obligation. In 2000, we increased our contribution toward retiree medical coverage and permanently froze our contributions. Retirees pay the difference between the full premium rates and our capped contribution.

The following table presents the change in benefit obligations, change in fair value of plan assets, and funded status of the plan and amounts recognized in the balance sheet as of the measurement date of December 31 (*in thousands*):

	2005	2004
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 6,539	7,674
Service cost	118	103
Interest cost	357	385
Actuarial (gain) loss	91	(907)
Benefits paid	(651)	(716)
Benefit obligation at end of year	6,454	6,539
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	-	-
Employer contributions	651	716
Benefits paid	(651)	(716)
Fair value of plan assets at end of year	-	-
Funded status	(6,454)	(6,539)
Unrecognized net actuarial gain	(1,337)	(1,785)
Net amount recognized	\$ (7,791)	(8,324)
Amounts recognized in the balance sheet consist of:		
Accrued benefit liability	\$ (7,791)	(8,324)
Net amount recognized	\$ (7,791)	(8,324)

The following table presents the components of net periodic benefit cost for the plan (*in thousands*):

	2005	2004	2003
Service cost	\$ 118	103	119
Interest cost	357	385	479
Amortization of prior service cost	-	85	85
Amortization of net actuarial gain	(357)	(512)	(421)
Net periodic benefit cost	\$ 118	61	262

Weighted average assumptions used for the plan are as follows:

	2005	2004	2003
Used to determine benefit obligation at year-end:			
Discount rate	5.60%	5.75%	6.25%
Used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	5.75	6.25	6.75

Because our contribution rate is capped, there is no effect on the plan from assumed increases or decreases in health care cost trends. Each year, Company contributions to the plan are made in amounts sufficient to meet benefit payments to plan participants. These benefit payments are estimated as follows for the years succeeding December 31, 2005 (*in thousands*):

2006	\$ 634
2007	612
2008	589
2009	571
2010	554
Years 2011 – 2015	2,536

We have a 401(k) and employee stock ownership plan (“Payshelter”) under which employees select from several investment alternatives excluding the Company’s common stock. Employees can contribute up to 50% of their earnings to the Payshelter plan which will be matched 100% by the Company for the first 3% of employee contributions and 50% for the next 2% of employee contributions. Our matching contributions are invested in the Company’s common stock and amounted to \$12.4 million in 2005, \$11.3 million in 2004, and \$9.8 million in 2003.

The Payshelter plan also has a noncontributory profit sharing feature which is discretionary and may range from 0% to 6.0% of eligible compensation based upon the Company’s return on average common equity for the year. For 2005 and 2004, the contribution percentage was 4% and 3%, and the related profit sharing expense was \$13.2 million and \$9.8 million, respectively. Our profit sharing contribution is also invested in the Company’s common stock. The range and resulting contribution percentage were increased in 2005 because we discontinued the broad-based employee stock option plan, as discussed in Note 18.

Amegy also has a 401(k) plan which includes a company matching feature of 100% up to 5% of employees’ annual compensation. We intend to merge this plan into the Payshelter plan in 2006.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	December 31, 2005		December 31, 2004	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
Cash and due from banks	\$ 1,706,590	1,706,590	850,998	850,998
Money market investments	666,742	666,742	593,087	593,087
Investment securities	6,057,212	6,049,679	5,121,215	5,121,339
Loans and leases, net of allowance	29,788,537	29,798,159	22,356,004	22,394,637
Derivatives in other assets	53,056	53,056	55,347	55,347
Total financial assets	\$ 38,272,137	38,274,226	28,976,651	29,015,408
Financial liabilities:				
Demand, savings, and money market deposits	\$ 26,009,587	26,009,587	20,170,875	20,170,875
Time deposits	4,453,385	4,452,249	2,681,893	2,698,645
Foreign deposits	2,179,436	2,183,726	439,493	439,349
Securities sold, not yet purchased	64,654	64,654	309,893	309,893
Federal funds purchased and security repurchase agreements	2,283,320	2,283,320	2,525,076	2,525,076
Derivatives in other liabilities	77,980	77,980	16,605	16,605
Commercial paper, FHLB advances and other borrowings	420,477	429,900	409,548	426,591
Long-term debt	2,511,366	2,541,620	1,690,589	1,736,507
Total financial liabilities	\$ 38,000,205	38,043,036	28,243,972	28,323,541

FINANCIAL ASSETS

The estimated fair value approximates the carrying value of cash and due from banks and money market investments. For investment securities, the fair value is based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or a discounted cash flow model based on established market rates. The fair value of fixed-rate loans is estimated by discounting future cash flows using the London Interbank Offer Rate ("LIBOR") yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. Variable-rate loans reprice with changes in market rates. As such, their carrying amounts are deemed to approximate fair value.

FINANCIAL LIABILITIES

The estimated fair value of demand, savings and money market deposits, securities sold not yet purchased, and federal funds purchased and security repurchase agreements, approximates the carrying value. The fair value of time and foreign deposits is estimated by discounting future cash flows using the LIBOR yield curve. Commercial paper is issued for short terms of duration. The fair value of fixed rate FHLB advances is estimated by discounting future cash flows using the LIBOR yield curve. Variable rate FHLB advances reprice with changes in market rates; as such, their carrying amounts approximate their fair value. Other borrowings are not significant. The estimated fair value of long-term debt is based on discounting cash flows using the LIBOR yield curve plus credit spreads.

DERIVATIVE INSTRUMENTS

The fair value of the derivatives reflects the estimated amounts that we would receive or pay to terminate these contracts at the reporting date based upon pricing or valuation models applied to current market information. Interest rate swaps are valued using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates derived from observed market interest rate curves.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

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

LIMITATIONS

These fair value disclosures represent our best estimates, based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

Further, certain financial instruments and all nonfinancial instruments are excluded from applicable disclosure requirements. Therefore, the fair value amounts shown in the table do not, by themselves, represent the underlying value of the Company as a whole.

23. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of December 31, 2005, we operate eight community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. The operating segment identified as "Other" includes the Parent, certain nonbank financial service and financial technology subsidiaries, other smaller nonbank operating units, TCBO (see Note 1), and eliminations of transactions between segments. Results for Amegy in 2005 only include the month of December.

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

We have also been allocating income among participating banking subsidiaries to better match revenues from hedging

strategies to the operating units that gave rise to the exposures being hedged. Interest rate swaps were recorded and managed by Zions Bank for the benefit of other banking subsidiaries and hedge income was allocated to the other banking subsidiaries based on a transfer pricing methodology. Beginning January 1, 2003, after discussions between management and bank regulators, the allocation methodology was changed. New interest rate swaps were recorded directly by the banking subsidiaries and the allocation methodology for remaining Zions Bank swaps was changed to include the banking subsidiary's earnings sensitivity to interest rate changes. These changes, along with interest rate increases that

reduced the income derived from the allocated hedges, reduced the amount of Zions Bank hedge income allocated to the other banking subsidiaries. In 2005, the amount of hedge income allocated from Zions Bank was not material. In the following tables presenting operating segment information, hedge income allocated to participating banking subsidiaries and hedge income recognized directly by these banking subsidiaries are presented as separate line items.

The following is a summary of selected operating segment information for the years ended December 31, 2005, 2004 and 2003 (*in millions*):

	Zions Bank	CB&T	Amegy	NBA	NSB	Vectra	TCBW	Other	Consolidated Company
2005:									
Net interest income excluding hedge income	\$ 405.8	451.0	25.5	186.2	170.4	88.1	29.7	(2.4)	1,354.3
Hedge income recorded directly at subsidiary	2.3	0.4	-	1.3	0.9	0.9	(0.1)	1.4	7.1
Allocated hedge income	(0.2)	-	-	0.1	-	0.1	-	-	-
Net interest income	407.9	451.4	25.5	187.6	171.3	89.1	29.6	(1.0)	1,361.4
Provision for loan losses	26.0	9.9	-	5.2	(0.4)	1.6	1.0	(0.3)	43.0
Net interest income after provision for loan losses	381.9	441.5	25.5	182.4	171.7	87.5	28.6	(0.7)	1,318.4
Noninterest income	269.2	75.0	9.0	21.5	31.0	26.6	1.6	4.9	438.8
Noninterest expense	391.1	243.9	23.7	97.8	106.2	86.8	12.6	52.6	1,014.7
Impairment loss on goodwill	0.6	-	-	-	-	-	-	-	0.6
Income (loss) before income taxes and minority interest	259.4	272.6	10.8	106.1	96.5	27.3	17.6	(48.4)	741.9
Income tax expense (benefit)	85.4	109.7	3.3	42.1	33.4	9.7	5.5	(25.7)	263.4
Minority interest	(0.1)	-	-	-	-	-	-	(1.5)	(1.6)
Net income (loss)	\$ 174.1	162.9	7.5	64.0	63.1	17.6	12.1	(21.2)	480.1
Assets	\$ 12,651	10,896	9,350	4,209	3,681	2,324	789	(1,120)	42,780
Net loans and leases ¹	8,510	7,671	5,389	3,698	2,846	1,539	402	72	30,127
Deposits	9,213	8,896	6,905	3,599	3,171	1,636	442	(1,220)	32,642
Shareholder's equity	836	1,072	1,768	299	244	299	50	(331)	4,237

	Zions Bank	CB&T	Amegy	NBA	NSB	Vectra	TCBW	Other	Consolidated Company
2004:									
Net interest income excluding hedge income	\$ 340.5	396.4	-	139.0	140.2	79.0	23.2	(1.8)	1,116.5
Hedge income recorded directly at subsidiary	18.7	13.8	-	0.6	1.7	5.8	1.6	2.1	44.3
Allocated hedge income	(15.4)	-	-	4.0	1.5	7.3	2.6	-	-
Net interest income	343.8	410.2	-	143.6	143.4	92.1	27.4	0.3	1,160.8
Provision for loan losses	24.7	10.7	-	4.0	3.4	(0.7)	2.0	-	44.1
Net interest income after provision for loan losses	319.1	399.5	-	139.6	140.0	92.8	25.4	0.3	1,116.7
Noninterest income	265.9	77.5	-	21.6	31.6	29.6	2.2	3.2	431.6
Noninterest expense	350.4	234.1	-	86.1	96.4	92.6	11.4	52.3	923.3
Impairment loss on goodwill	0.6	-	-	-	-	-	-	-	0.6
Income (loss) before income taxes and minority interest	234.0	242.9	-	75.1	75.2	29.8	16.2	(48.8)	624.4
Income tax expense (benefit)	77.6	97.1	-	29.7	25.8	10.6	4.9	(25.6)	220.1
Minority interest	(0.3)	-	-	-	-	-	-	(1.4)	(1.7)
Net income (loss)	\$ 156.7	145.8	-	45.4	49.4	19.2	11.3	(21.8)	406.0
Assets	\$ 11,880	10,186	-	3,592	3,339	2,319	726	(572)	31,470
Net loans and leases ¹	7,876	7,132	-	3,129	2,549	1,465	379	97	22,627
Deposits	8,192	8,329	-	3,046	2,951	1,577	417	(1,220)	23,292
Shareholder's equity	756	1,031	-	264	220	322	50	147	2,790
2003:									
Net interest income excluding hedge income	\$ 320.5	381.1	-	119.2	122.6	84.4	19.2	(5.1)	1,041.9
Hedge income recorded directly at subsidiary	30.5	4.3	-	2.6	0.6	3.9	1.1	-	43.0
Allocated hedge income	(26.0)	-	-	6.7	2.6	12.3	4.4	-	-
Net interest income	325.0	385.4	-	128.5	125.8	100.6	24.7	(5.1)	1,084.9
Provision for loan losses	46.3	12.1	-	0.2	5.6	5.9	0.8	(1.0)	69.9
Net interest income after provision for loan losses	278.7	373.3	-	128.3	120.2	94.7	23.9	(4.1)	1,015.0
Noninterest income	244.4	75.9	-	21.4	31.7	38.1	2.0	87.2	500.7
Noninterest expense	318.3	227.0	-	79.8	86.9	100.5	11.2	72.0	895.7
Impairment loss on goodwill	-	-	-	-	-	75.6	-	-	75.6
Income (loss) before income taxes and minority interest	204.8	222.2	-	69.9	65.0	(43.3)	14.7	11.1	544.4
Income tax expense (benefit)	65.0	89.1	-	27.7	22.1	16.2	5.1	(11.4)	213.8
Minority interest	(0.5)	-	-	-	-	-	-	(6.7)	(7.2)
Net income (loss)	\$ 140.3	133.1	-	42.2	42.9	(59.5)	9.6	29.2	337.8
Assets	\$ 10,598	9,216	-	3,067	2,958	2,532	705	(518)	28,558
Net loans and leases ¹	6,888	6,349	-	2,381	2,162	1,691	329	120	19,920
Deposits	7,104	7,638	-	2,539	2,555	1,764	453	(1,156)	20,897
Shareholder's equity	725	956	-	241	194	375	52	(3)	2,540

¹ Net of unearned income and fees, net of related costs.

24. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Financial information by quarter for 2005 and 2004 is as follows (*in thousands, except per share amounts*):

	Quarters				Year
	First	Second	Third	Fourth	
2005:					
Gross interest income	\$ 422,841	455,736	483,277	548,402	1,910,256
Net interest income	314,951	330,928	340,652	374,819	1,361,350
Provision for loan losses	9,383	11,417	12,107	10,116	43,023
Noninterest income:					
Securities gains (losses), net	(54)	(3,965)	1,365	2,187	(467)
Other noninterest income	103,050	110,517	109,884	115,859	439,310
Noninterest expense	239,335	242,666	248,472	284,208	1,014,681
Impairment loss on goodwill	-	-	-	602	602
Income before income taxes and minority interest	169,229	183,397	191,322	197,939	741,887
Net income	110,234	118,810	122,970	128,107	480,121
Net income per common share:					
Basic	\$ 1.23	1.32	1.37	1.35	5.27
Diluted	1.20	1.30	1.34	1.32	5.16
2004:					
Gross interest income	\$ 348,622	359,131	379,396	404,311	1,491,460
Net interest income	279,422	280,897	291,115	309,384	1,160,818
Provision for loan losses	11,244	10,301	9,363	13,159	44,067
Noninterest income:					
Securities gains (losses), net	(4,114)	(3,082)	4,584	(4,643)	(7,255)
Other noninterest income	112,925	113,709	108,572	103,590	438,796
Noninterest expense	222,338	229,976	232,813	238,172	923,299
Impairment loss on goodwill	-	-	602	-	602
Income before income taxes and minority interest	154,651	151,247	161,493	157,000	624,391
Net income	99,669	98,842	102,495	104,981	405,987
Net income per common share:					
Basic	\$ 1.11	1.10	1.14	1.17	4.53
Diluted	1.10	1.09	1.13	1.15	4.47

25. PARENT COMPANY FINANCIAL INFORMATION

CONDENSED BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

<i>(In thousands)</i>	2005	2004
ASSETS		
Cash and due from banks	\$ 2,057	-
Interest-bearing deposits	101,000	104,774
Investment securities – available for sale, at market	581,128	568,757
Loans and other receivables, net of allowance	-	32
Other noninterest-bearing investments	68,861	59,499
Investments in subsidiaries:		
Commercial banks and bank holding company	4,586,756	2,641,478
Other operating companies	25,069	25,680
Nonoperating – Zions Municipal Funding, Inc. ¹	412,868	397,693
Receivables from subsidiaries:		
Commercial banks and bank holding company	617,702	518,052
Other	6,095	2,465
Other assets	106,731	97,007
	\$ 6,508,267	4,415,437
LIABILITIES AND SHAREHOLDERS' EQUITY		
Other liabilities	\$ 95,854	47,415
Commercial paper	167,188	165,447
Subordinated debt to affiliated trusts	324,709	324,709
Long-term debt	1,683,252	1,087,887
Total liabilities	2,271,003	1,625,458
Shareholders' equity:		
Common stock	2,156,732	972,065
Retained earnings	2,179,885	1,830,064
Accumulated other comprehensive loss	(83,043)	(7,932)
Deferred compensation	(16,310)	(4,218)
Total shareholders' equity	4,237,264	2,789,979
	\$ 6,508,267	4,415,437

¹ Zions Municipal Funding, Inc. is a wholly-owned nonoperating subsidiary whose sole purpose is to hold a portfolio of municipal bonds, loans and leases.

CONDENSED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

<i>(In thousands)</i>	2005	2004	2003
Interest income:			
Commercial bank subsidiaries	\$ 30,485	13,320	5,778
Other subsidiaries and affiliates	1,168	1,265	1,440
Other loans and securities	37,025	30,943	17,705
Total interest income	68,678	45,528	24,923
Interest expense:			
Affiliated trusts	25,966	25,971	25,995
Other borrowed funds	61,277	33,304	17,069
Total interest expense	87,243	59,275	43,064
Net interest loss	(18,565)	(13,747)	(18,141)
Provision for loan losses	(37)	(29)	(1,020)
Net interest loss after provision for loan losses	(18,528)	(13,718)	(17,121)
Other income:			
Dividends from consolidated subsidiaries:			
Commercial banks	261,250	296,250	296,000
Other operating companies	300	-	900
Equity and fixed income securities gains, net	1,534	1,116	86,702
Other income	3,522	5,601	8,414
	266,606	302,967	392,016
Expenses:			
Salaries and employee benefits	14,078	17,431	15,927
Debt extinguishment cost	-	-	24,210
Other operating expenses	18,001	15,520	9,122
	32,079	32,951	49,259
Income before income tax benefit and undistributed income of consolidated subsidiaries	215,999	256,298	325,636
Income tax benefit	21,207	20,095	5,642
Income before equity in undistributed income of consolidated subsidiaries	237,206	276,393	331,278
Equity in undistributed income of consolidated subsidiaries:			
Commercial banks and bank holding company	239,821	130,987	11,727
Other operating companies	(12,081)	(13,860)	(16,514)
Nonoperating – Zions Municipal Funding, Inc.	15,175	12,467	11,332
Net income	\$ 480,121	405,987	337,823

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(In thousands)

	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 480,121	405,987	337,823
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net income of consolidated subsidiaries	(242,915)	(129,594)	(6,545)
Equity and fixed income securities gains, net	(1,534)	(1,116)	(86,702)
Other	40,048	12,351	6,333
Net cash provided by operating activities	275,720	287,628	250,909
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (increase) decrease in interest-bearing deposits	3,774	(69,091)	20,252
Collection of advances to subsidiaries	28,320	28,782	49,853
Advances to subsidiaries	(131,600)	(163,442)	(256,288)
Proceeds from sales and maturities of equity and fixed income securities	42,958	394,118	170,028
Purchase of investment securities	(42,221)	(334,466)	(452,382)
Increase of investment in subsidiaries	(32,280)	(87,500)	(93,318)
Cash paid for acquisition	(609,523)	-	-
Other	(8,255)	(18,101)	(4,495)
Net cash used in investing activities	(748,827)	(249,700)	(566,350)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in commercial paper and other borrowings under one year	1,741	39,303	(165,422)
Proceeds from issuance of long-term debt	595,134	300,000	890,000
Payments on long-term debt	-	(240,000)	(264,975)
Proceeds from issuance of common stock	90,800	82,250	52,689
Payments to redeem common stock	(82,211)	(104,881)	(106,844)
Dividends paid	(130,300)	(114,600)	(91,874)
Net cash provided by (used in) financing activities	475,164	(37,928)	313,574
Net increase (decrease) in cash and due from banks	2,057	-	(1,867)
Cash and due from banks at beginning of year	-	-	1,867
Cash and due from banks at end of year	\$ 2,057	-	-

The Parent has a \$40 million line of credit available from CB&T, which was unused as of December 31, 2005. Interest is at a variable rate based on specified indices. Any amount loaned requires collateral of cash or securities.

The Parent paid interest of \$80.5 million in 2005, \$56.5 million in 2004, and \$32.3 million in 2003.

FORM 10-K

The Annual Report includes the materials required in Form 10-K filed with the United States Securities and Exchange Commission. The integration of the two documents gives shareholders and other interested parties timely and comprehensive information about the Company. Portions of the Annual Report are not required by the Form 10-K and are not filed as part of the Company's Form 10-K. Only the portions of the Annual Report referenced in the Form 10-K cross-reference index are incorporated in the Form 10-K. The report has not been approved or disapproved by the United States Securities and Exchange Commission, nor has the Commission passed upon its accuracy or adequacy.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

**COMMISSION FILE NUMBER 0-2610
ZIONS BANCORPORATION**
(Exact name of Registrant as specified in its charter)

UTAH

(State or other jurisdiction of incorporation or organization)

87-0227400

(Internal Revenue Service Employer Identification Number)

One South Main, Suite 1134

Salt Lake City, Utah

(Address of principal executive offices)

84111

(Zip Code)

Registrant's telephone number, including area code: (801) 524-4787

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Guarantee related to 8.00% Capital Securities of Zions Capital Trust B	New York Stock Exchange
Guarantee related to Fixed/Floating Rate Subordinated Notes due May 15, 2011	New York Stock Exchange
Fixed/Floating Rate Subordinated Notes due October 15, 2011	New York Stock Exchange
6% Subordinated Notes due September 15, 2015	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Stock Purchase Rights – without par value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer X Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No X

Aggregate Market Value of Common Stock Held by Non-affiliates at June 30, 2005 \$ 6,563,468,019

Number of Common Shares Outstanding at February 17, 2006 105,876,061 shares

Documents Incorporated by Reference:

Portions of the Company's Proxy Statement (to be dated approximately March 21, 2006) for the Annual Meeting of Shareholders to be held May 1, 2006 – Incorporated into Part III

FORM 10-K CROSS-REFERENCE INDEX

		Pages
	PART I	
Item 1.	Business	
	Description of Business	20-123, 126-129
	Statistical Disclosure:	
	Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential	37-40
	Investment Portfolio	56-58, 87, 92-95
	Loan Portfolio	59-61, 87-88, 95-97
	Summary of Loan Loss Experience	32-33, 62-68, 88, 95-97
	Deposits	38-39, 61, 103
	Return on Equity and Assets	*, 28
	Short-Term Borrowings	103
	Segment Results	45-55, 117-119
Item 1A.	Risk Factors	20, 62-76, 129-130
Item 1B.	Unresolved Staff Comments ¹	
Item 2.	Properties	45-55, 111, 130
Item 3.	Legal Proceedings	111, 130
Item 4.	Submission of Matters to a Vote of Security Holders (in fourth quarter 2005) ¹	
	PART II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	*, 106, 112-113, 130-131
Item 6.	Selected Financial Data	*
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20-78
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	68-72
Item 8.	Financial Statements and Supplementary Data	80-123
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure ¹	
Item 9A.	Controls and Procedures	78-79, 132
Item 9B.	Other Information ¹	
	PART III	
Item 10.	Directors and Executive Officers of the Registrant ²	132
Item 11.	Executive Compensation ²	132
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters ²	132
Item 13.	Certain Relationships and Related Transactions ²	132
Item 14.	Principal Accountant Fees and Services ²	132
	PART IV	
Item 15.	Exhibits and Financial Statement Schedules	80-123, 132
	Report on Consolidated Financial Statements	80
	Consolidated Financial Statements	80-123
	Signatures	133

¹ None.

² Incorporated by reference from the Company's Proxy Statement to be dated approximately March 21, 2006.

* Financial Highlights – inside front cover of 2005 Annual Report to Shareholders.

PART I

ITEM 1. BUSINESS

DESCRIPTION OF BUSINESS

Zions Bancorporation (“the Parent”) is a financial holding company organized under the laws of the State of Utah in 1955, and registered under the Bank Holding Company Act of 1956, as amended (the “BHC Act”). The Parent and its subsidiaries (collectively “the Company”) own and operate eight commercial banks with a total of 475 offices at year-end 2005. The Company provides a full range of banking and related services through its banking and other subsidiaries, primarily in Utah, California, Texas, Arizona, Nevada, Colorado, Idaho, Washington, and Oregon. Full-time equivalent employees totaled 10,102 at year-end 2005. For further information about the Company’s industry segments, see “Business Segment Results” in Management’s Discussion and Analysis (“MD&A”) and Note 23 of the Notes to Consolidated Financial Statements. For information about the Company’s foreign operations, see “Foreign Operations” in MD&A. The “Executive Summary” in MD&A provides further information about the Company.

PRODUCTS AND SERVICES

The Company focuses on maintaining community-minded banking services by continuously strengthening its core business lines of retail banking, small and medium-sized business lending, residential mortgage, and investment activities. It operates eight different banks in ten Western states with each bank operating under a different name and each having its own chief executive officer and management team. The banks provide a wide variety of commercial and retail banking and mortgage lending products and services. The Company provides commercial loans, lease financing, cash management, electronic check clearing, lockbox, customized draft processing, and other special financial services for business and other commercial banking customers. The Company also provides a wide range of personal banking services to individuals, including home mortgages, bankcard, student and other installment loans, home equity lines of credit, checking accounts, savings accounts, time certificates of various types and maturities, trust services, safe deposit facilities, direct deposit, and 24-hour ATM access. In addition, certain banking subsidiaries

provide services to key market segments through their Women’s Financial, Private Client Services, and Executive Banking Groups. We also offer wealth management services through a subsidiary, Contango Capital Advisors, Inc., that was launched in 2004.

In addition to these core businesses, the Company has built specialized lines of business in capital markets and public finance and is also a leader in U.S. Small Business Administration lending. Through its eight banking subsidiaries, the Company provides Small Business Administration (“SBA”) 7(a) loans to small businesses throughout the United States and is also one of the largest providers of SBA 504 financing in the nation. The Company owns an equity interest in the Federal Agricultural Mortgage Corporation (“Farmer Mac”) and is the nation’s top originator of secondary market agricultural real estate mortgage loans through Farmer Mac. The Company is a leader in municipal finance advisory and underwriting services. The Company also controls four venture capital companies that provide early-stage capital, primarily for start-up companies located in the Western United States.

COMPETITION

As a result of the diverse financial services and products it offers, the Company operates in a highly competitive environment. Competitors include not only other banks, thrift institutions and credit unions, but also insurance companies, finance companies, mutual funds, brokerage firms, securities dealers, investment banking companies, and a variety of other financial services and advisory companies. Most of these entities compete across geographic boundaries and provide customers with increasing access to meaningful alternatives to banking services in many significant products. In addition, many of these competitors are not subject to the same regulatory restrictions as the Company. These competitive trends are likely to continue.

SUPERVISION AND REGULATION

On July 30, 2002, the Senate and the House of Representatives of the United States (Congress) enacted the Sarbanes-Oxley Act of 2002, a law that addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of

corporate information. The Nasdaq has also adopted corporate governance rules, which intend to allow shareholders to more easily and efficiently monitor the performance of companies and their directors.

The Board of Directors of the Parent has implemented a system of strong corporate governance practices. This system included Corporate Governance Guidelines, a Code of Business Conduct and Ethics, and charters for the Audit, Credit Review, Executive Compensation, and Nominating and Corporate Governance Committees. More information on the Company's corporate governance practices is available on the Company's website at www.zionsbancorporation.com.

The enactment of the Gramm-Leach-Bliley Act of 1999 ("the GLB Act") represented a pivotal point in the history of the financial services industry. The GLB Act swept away large parts of a regulatory framework that had its origins in the Depression Era of the 1930s. Effective March 11, 2000, new opportunities became available for banks, other depository institutions, insurance companies and securities firms to enter into business combinations that permit a single financial services organization to offer customers a more complete array of financial products and services. The GLB Act provides a new regulatory framework through a financial holding company, which has as its umbrella regulator the Federal Reserve Board ("FRB"). The functional regulation of the separately regulated subsidiaries of a holding company is conducted by the subsidiary's primary functional regulator. To qualify for and maintain status as a financial holding company, a company must satisfy certain ongoing criteria.

The GLB Act also provides federal regulations dealing with privacy for nonpublic personal information of individual customers, which the Company and its subsidiaries must comply with. In addition, the Company, including its subsidiaries, is subject to various other federal and state laws that deal with the use and disclosure of nonpublic personal information.

The Parent is a financial holding company and, as such, is subject to the BHC Act. The BHC Act requires the prior approval of the FRB for a financial holding company to acquire or hold more than 5% voting interest in any bank. The BHC Act allows, subject to certain limitations, interstate bank acquisitions and interstate branching by acquisition anywhere in the country.

The BHC Act restricts the Company's nonbanking activities to those that are permitted for financial holding companies or that have been determined by the FRB to be financial in nature, incidental to financial activities, or complementary to a financial activity. The BHC Act does not place territorial restrictions on the activities of nonbank subsidiaries of financial holding companies.

The Company's banking subsidiaries are also subject to various requirements and restrictions in both the laws of the United States and the states in which the banks operate. These include restrictions on:

- transactions with affiliates;
- the amount of loans to a borrower and its affiliates;
- the nature and amount of any investments;
- their ability to act as an underwriter of securities;
- the opening of branches; and
- the acquisition of other financial entities.

In addition, the Company's subsidiary banks are subject to either the provisions of the National Bank Act or the banking laws of their respective states, as well as the rules and regulations of the Comptroller of the Currency ("OCC"), the FRB, and the Federal Deposit Insurance Corporation ("FDIC"). They are also under the supervision of, and are subject to periodic examination by, the OCC or their respective state banking departments, the FRB, and the FDIC.

The FRB has established capital guidelines for financial holding companies. The OCC, the FDIC, and the FRB have also issued regulations establishing capital requirements for banks. Failure to meet capital requirements could subject the Company and its subsidiary banks to a variety of restrictions and enforcement remedies. See Note 20 of the Notes to Consolidated Financial Statements for information regarding capital requirements.

The U.S. federal bank regulatory agencies' risk-capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision (the "BIS"). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines that each country's supervisors can use to determine the supervisory policies they apply. In January 2001, the BIS released a proposal to replace the 1988 accord with a new capital framework that would set capital requirements for operational risk and materially change the existing capital requirements for credit risk and market risk

exposures. Operational risk is defined by the proposal to mean the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The 1988 accord does not include separate capital requirements for operational risk.

In January 2005, the U.S. banking regulators issued an interagency statement with regard to the U.S. implementation of the Basel II Framework. They have set January 2008 as the effective date for the final regulations, with mid-year 2006 for the publication of the final rule. The regulators have previously stated that approximately the ten largest U.S. bank holding companies will be required to adopt the new standard, and that others may elect to “opt in”. We do not currently expect to be an early “opt in” bank holding company, as the Company does not have in place the data collection and analytical capabilities necessary to adopt Basel II. However, we believe that the competitive advantages afforded to companies that do adopt the framework will make it necessary for the Company to elect to “opt in” at some point, and we have begun investing in the required capabilities.

Also, in October 2005, the U.S. banking regulators issued an interagency Advance Notice of Proposed Rulemaking for modifications to the Basel I framework for those banks not adopting Basel II. The regulatory agencies are currently evaluating the numerous comments received on this proposal, which is commonly referred to as Basel 1a.

Dividends payable by the subsidiary banks to the Parent are subject to various legal and regulatory restrictions. These restrictions and the amount available for the payment of dividends at year-end are summarized in Note 20 of the Notes to Consolidated Financial Statements.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 provides that the Company’s bank subsidiaries are liable for any loss incurred by the FDIC in connection with the failure of an affiliated insured bank.

The Federal Deposit Insurance Corporation Improvement Act of 1991 prescribes standards for the safety and soundness of insured banks. These standards relate to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, as well as other operational and management standards deemed appropriate by the federal banking regulatory agencies.

The Community Reinvestment Act (“CRA”) requires banks to help serve the credit needs in their communities, including credit to low and moderate income individuals. Should the Company or its subsidiaries fail to adequately serve their communities, penalties may be imposed including denials of applications to add branches, relocate, add subsidiaries and affiliates, and merge with or purchase other financial institutions. The GLB Act requires “satisfactory” or higher CRA compliance for insured depository institutions and their financial holding companies for them to engage in new financial activities. If one of the Company’s banks should receive a CRA rating of less than satisfactory, the Company could lose its status as a financial holding company.

On October 26, 2001, the President signed into law comprehensive anti-terrorism legislation known as the USA PATRIOT Act of 2001 (the “USA Patriot Act”). Title III of the USA Patriot Act substantially broadens the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, defining new crimes and related penalties, and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department (“the Treasury”) has issued a number of implementation regulations, which apply various requirements of the USA Patriot Act to financial institutions. The Company’s bank and broker-dealer subsidiaries and mutual funds and private investment companies advised or sponsored by the Company’s subsidiaries must comply with these regulations. These regulations also impose new obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing.

Failure of a financial institution to comply with the USA Patriot Act’s requirements could have serious legal and reputational consequences for the institution. The Company has adopted appropriate policies, procedures and controls to address compliance with the requirements of the USA Patriot Act under the existing regulations and will continue to revise and update its policies, procedures and controls to reflect changes required by the Act and the Treasury’s regulations.

Regulators, Congress, and state legislatures continue to enact rules, laws, and policies to regulate the financial services industry and to protect consumers. The nature of these laws and regulations and the effect of such policies on future business and earnings of the Company cannot be predicted.

GOVERNMENT MONETARY POLICIES

The earnings and business of the Company are affected not only by general economic conditions, but also by fiscal and other policies adopted by various governmental authorities. The Company is particularly affected by the policies of the FRB, which affects the national supply of bank credit. The methods of monetary policy available to the FRB include:

- open-market operations in U.S. government securities;
- adjustment of the discount rates or cost of bank borrowings;
- imposing or changing reserve requirements against member bank deposits; and
- imposing or changing reserve requirements against certain borrowings by banks and their affiliates.

These methods are used in varying combinations to influence the overall growth or contraction of bank loans, investments and deposits, and the interest rates charged on loans or paid for deposits.

In view of the changing conditions in the economy and the effect of the FRB's monetary policies, it is difficult to predict future changes in loan demand, deposit levels and interest rates, or their effect on the business and earnings of the Company. FRB monetary policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

ITEM 1A. RISK FACTORS

The following list describes several risk factors which are significant to the Company:

- In December 2005 the Company completed its merger with Amegy Bancorporation, Inc. The success of the merger will depend, in part, on our ability to realize the projected cost savings from the merger and on the continued growth and profitability of Amegy. We have been successful with prior mergers, but it is possible that the merger and integration process with Amegy could result in the loss of key employees, disruptions in controls, procedures and policies, or other factors that could affect our ability to realize the projected savings and successfully retain and grow the Amegy customer base.
- Credit risk is one of our most significant risks. Over the last two years we have experienced historically high levels of credit quality. We do not see any indications that credit

quality will significantly deteriorate, but it is unlikely that we will be able to maintain credit quality at these levels indefinitely. Economic conditions in the high growth geographical areas in which our banks operate have been strong, but events could result in weaker economic conditions including deterioration of property values that could significantly increase the Company's credit risk.

- Net interest income is the largest component of the Company's revenue. The management of interest rate risk for the Company and all bank subsidiaries is centralized and overseen by an Asset Liability Management Committee appointed by the Company's Board of Directors. The Company has been successful in its interest rate risk management as evidenced by its achieving a relatively stable interest rate margin over the last several years when interest rates have been volatile and the rate environment challenging. Factors beyond the Company's control can significantly influence the interest rate environment and increase the Company's risk. These factors include competitive pricing pressures for our loans and deposits and volatile market interest rates subject to general economic conditions and the policies of governmental and regulatory agencies, in particular the Federal Reserve Board.
- The Company is exposed to accounting, financial reporting, and regulatory/compliance risk. The Company provides to its customers a number of complex financial products and services. Estimates, judgments and interpretations of complex and changing accounting and regulatory policies are required in order to provide and account for these products and services. Identification, interpretation and implementation of complex and changing accounting standards as well as compliance with regulatory requirements therefore pose an ongoing risk.
- A failure in our internal controls could have a significant negative impact not only on our earnings, but also on the perception that customers, regulators and investors may have of the Company. We continue to devote a significant amount of effort, time and resources to improving our controls and ensuring compliance with complex accounting standards and regulations.
- We have a number of business initiatives that, while we believe they will ultimately produce profits for our shareholders, currently generate expenses in excess of revenues. Two significant initiatives are Contango, a wealth

management business started in 2004, and NetDeposit, a subsidiary that provides electronic check processing systems. Our management of these businesses takes into account the development of revenues and control of expenses so that results of operations are not adverse to an extent that is not warranted by the opportunities these businesses provide.

- U.S. and international regulators have proposed new capital standards commonly known as “Basel II”. These standards would apply to a number of our largest competitors, and potentially give them a significant competitive advantage. Sophisticated systems and data are required in order to adopt Basel II standards; the Company is developing but does not yet have these systems and data. More recently, U.S. banking regulators have proposed a possible “Basel 1a” standard that they think might reduce competitive inequities. However, our initial analysis indicates that a significant risk of competitive inequity would persist between banks operating under Basel 1a and those using Basel II.

The Company’s Board of Directors has established an Enterprise-wide Risk Management policy and appointed an Enterprise Risk Management Committee to oversee and implement the policy. In addition to credit and interest rate risk, the Committee also oversees and monitors the following risk areas: market risk, liquidity risk, operational risk, information technology risk, strategic risk, and reputation risk.

ITEM 2. PROPERTIES

At year-end 2005, the Company operated 473 domestic branches, of which 220 are owned and 253 are on leased premises. The Company also leases its headquarter offices in Salt Lake City, Utah. Other operations facilities are variously owned or leased. The annual rentals under long-term leases for leased premises are determined under various formulas and factors, including operating costs, maintenance, and taxes. For information regarding rental payments, see Note 19 of the Notes to Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

The information contained in Note 19 of the Notes to Consolidated Financial Statements is incorporated herein by reference.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

The Company’s common stock is traded on the Nasdaq National Market under the symbol “ZION”. The last reported sale price of the common stock on Nasdaq on February 17, 2006 was \$80.13 per share.

The following table sets forth, for the periods indicated, the high and low sale prices of the Company’s common stock, as quoted on Nasdaq:

	2005		2004	
	High	Low	High	Low
1st Quarter	\$ 70.45	63.33	61.72	55.93
2nd Quarter	75.17	66.25	62.04	54.08
3rd Quarter	74.00	68.45	64.38	58.40
4th Quarter	77.67	66.67	69.29	59.53

As of February 17, 2006, there were 7,036 holders of record of the Company’s common stock.

DIVIDENDS

The frequency and amount of dividends paid during the last two years are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2005	\$.36	.36	.36	.36
2004	.30	.32	.32	.32

On January 27, 2006, the Company’s Board of Directors approved a dividend of \$.36 per share payable on February 22, 2006 to shareholders of record on February 8, 2006.

SHARE REPURCHASES

The following table summarizes the Company's share repurchases for the fourth quarter of 2005:

Period	Total number of shares repurchased ¹	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plan
October	614	\$ 70.06	-	\$ 59,253,657
November	9,070	74.05	-	59,253,657
December	20,230	75.95	-	59,253,657
Fourth Quarter	29,914	75.26	-	

¹ Represents mature shares tendered for exercise of stock options and to cover payroll taxes on the vesting of restricted stock.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2005 with respect to the shares of the Company's common stock that may be issued under existing equity compensation plans:

Plan Category ¹	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans Approved by Security Holders:			
Zions Bancorporation 2005 Stock Option and Incentive Plan	888,693	\$ 71.45	7,839,680
Zions Bancorporation 1996 Non-Employee Directors Stock Option Plan	178,289	53.00	-
Zions Bancorporation Key Employee Incentive Stock Option Plan	3,778,890	51.72	-
Equity Compensation Plans Not Approved by Security Holders:			
1998 Non-Qualified Stock Option and Incentive Plan	621,700	55.79	-
Total	5,467,572		7,839,680

¹ The table does not include information for equity compensation plans assumed by the Company in mergers. A total of 2,029,994 shares of common stock with a weighted average exercise price of \$45.67 were issuable upon exercise of options granted under plans assumed in mergers and outstanding at December 31, 2005. The Company cannot grant additional awards under these assumed plans.

ITEM 9A. CONTROLS AND PROCEDURES

An evaluation was carried out by the Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2005, these disclosure controls and procedures were effective. There have been no changes in the Company's internal control over financial reporting during the fourth quarter of 2005 that have materially affected or are reasonably likely to affect the Company's internal control over financial reporting. See "Report on Management's Assessment of Internal Control Over Financial Reporting" on page 78 of the Annual Report to Shareholders for management's report on the adequacy of internal control over financial reporting. Also see "Report on Internal Control Over Financial Reporting" issued by Ernst & Young LLP on page 79 of the Annual Report to Shareholders.

The Report on Management's Assessment of Internal Control Over Financial Reporting as of December 31, 2005 does not include the internal controls of Amegy Corporation (acquired on December 3, 2005). This is consistent with the views of the staffs of the Office of the Chief Accountant and the Division of Corporation Finance in their response to Question 3 in the publication of the Securities and Exchange Commission, *Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, Frequently Asked Questions* (revised October 6, 2004).

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference from the Company's Proxy Statement to be dated approximately March 21, 2006.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the Company's Proxy Statement to be dated approximately March 21, 2006.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from the Company's Proxy Statement to be dated approximately March 21, 2006.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from the Company's Proxy Statement to be dated approximately March 21, 2006.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from the Company's Proxy Statement to be dated approximately March 21, 2006.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The Company's Consolidated Financial Statements and report of independent registered public accounting firm on the Consolidated Financial Statements are set forth on pages 80-123.

Financial Statement Schedules – All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, the required information is contained elsewhere in the Form 10-K, or the schedules are inapplicable and have therefore been omitted.

Exhibits – The index of exhibits and any exhibits filed as part of the 2005 Form 10-K are accessible at no cost on the Company's website at www.zionsbancorporation.com or through the United States Securities and Exchange Commission's website at www.sec.gov. Copies of exhibits may also be requested from the Company's investor relations department.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ZIONS BANCORPORATION

March 15, 2006

By /s/ Harris H. Simmons

HARRIS H. SIMMONS, Chairman,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

March 15, 2006

/s/ Harris H. Simmons

HARRIS H. SIMMONS, Director, Chairman, President and
Chief Executive Officer (Principal Executive Officer)

/s/ Nolan Bellon

NOLAN BELLON, Controller (Principal Accounting Officer)

/s/ R. D. Cash

R. D. CASH, Director

/s/ J. David Heaney

J. DAVID HEANEY, Director

/s/ Stephen D. Quinn

STEPHEN D. QUINN, Director

/s/ Steven C. Wheelwright

STEVEN C. WHEELWRIGHT, Director

/s/ Doyle L. Arnold

DOYLE L. ARNOLD, Vice Chairman and Chief Financial
Officer (Principal Financial Officer)

/s/ Jerry C. Atkin

JERRY C. ATKIN, Director

/s/ Patricia Frobes

PATRICIA FROBES, Director

/s/ Roger B. Porter

ROGER B. PORTER, Director

/s/ L. E. Simmons

L. E. SIMMONS, Director

/s/ Shelley Thomas Williams

SHELLEY THOMAS WILLIAMS, Director

Glossary of Common Banking Terms

Allowance for Loan Losses

A balance sheet account that has been accumulated over a period of time as a reserve for losses inherent in the loan and lease portfolios.

Asset-Liability Management (ALM)

The practice of balance sheet management with the objective of promoting income generation while containing market risk exposures.

Basis Point (“bp”)

A value equal to 1/100 of 1%; or 100 basis points equals 1%.

Core Deposits

Deposits generated in a bank’s natural market area that are considered as a stable source of funding. They are generally characterized by having a predictable cost and a high level of customer loyalty.

Comprehensive Income

The combination of net income and the changes in selected items that are recorded directly to stockholders’ equity as required by generally accepted accounting principles, such as unrealized gains and losses on available for sale securities.

Credit Risk

The risk of loss resulting from the failure of an obligor or counterparty to perform in accordance with the contractual terms of an agreement.

Derivative Financial Instruments

A financial contract which derives its value by reference to an underlying instrument, index or reference rate. Derivatives include forward contracts, swaps, futures and options.

Efficiency Ratio

An indicator of the cost of operating a company calculated by dividing noninterest expense by taxable-equivalent net interest income plus noninterest income.

Hedging

A financial technique in which transactions or contractual agreements are undertaken to offset the risk of loss from one or more types of risk.

Interest Rate Spread

The difference between the taxable-equivalent yield on average earning assets and the rate paid on average interest bearing liabilities.

Liquidity Risk

The risk that an organization is unable to meet its contractual financial obligations as they become due.

Market Risk

The potential loss in value of financial instruments caused by movements in market variables, such as interest rates, foreign exchange rates and equity values.

Minority Interest

When a parent owns a majority (but less than 100%) of a consolidated subsidiary, the consolidated financial statements separately reflect the minority’s interest in the subsidiary, including the minority’s proportionate share of net assets and net income.

Net Interest Margin

Taxable-equivalent net interest income as a percentage of average earning assets.

Net Loans and Leases

Net loans and leases represents the total of all loans, leases and other receivables less unearned income and fees, net of related costs.

Nonrated Securities

Investment securities that have not received a quality rating by one of the major securities rating agencies.

Notional Amount

The number of currency units, shares or other units specified in a derivative contract.

Qualifying Special-Purpose Entity (QSPE)

A trust or other legal vehicle that purchases and holds assets or securities and meets certain conditions, including (1) being distinct from the seller, (2) having its activities limited, and (3) being restricted as to the types of assets that it may hold and conditions under which it may dispose of noncash assets. A QSPE is not consolidated in the balance sheet.

Risk-Based Capital

A measure of a financial institution’s strength developed by the banking regulators, taking into account the risks inherent in the institution’s assets and off-balance-sheet exposures.

Taxable-Equivalent Income

Tax exempt income that has been adjusted to an amount that would yield the same after-tax income had the income been subject to taxation at the statutory federal and/or state income tax rates.

Value at Risk (VAR)

The amount or percentage of potential loss from adverse market moves in an ordinary market environment.

ZIONS BANCORPORATION

CORPORATE OFFICERS

Harris H. Simmons
*Chairman, President
and Chief Executive Officer*

Doyle L. Arnold
*Vice Chairman and
Chief Financial Officer*

Executive Vice Presidents
Bruce K. Alexander
Colorado Administration

A. Scott Anderson
Utah and Idaho Administration

David E. Blackford
California Administration

Danne L. Buchanan
NetDeposit

Gerald J. Dent
Credit Administration

Michael A. DeVico
Operations and Information Systems

George M. Feiger
Wealth Management

W. David Hemingway
Capital Markets and Investments

Thomas E. Laursen
General Counsel

Connie Linardakis
Human Resources

Keith D. Maio
Arizona Administration

William E. Martin
Nevada Administration

Paul B. Murphy, Jr.
Texas Administration

Stanley D. Savage
*Washington and Oregon
Administration*

Senior Vice Presidents

Nolan Bellon
Controller

Ralph Hendrix
Credit Examination

Clark B. Hinckley
Investor Relations

Dean L. Marotta
Internal Audit

Norman W. Merritt
Compliance

Vice Presidents

John B. Hopkins
Ronald L. Johnson

Jennifer R. Jolley
Alvin Lee

Melvin D. Leibsla

John A. Payne

David Russell

BOARD OF DIRECTORS

Jerry C. Atkin^{1,2,3}
*Chairman, President and
Chief Executive Officer
Skywest Airlines
St. George, Utah*

R. D. Cash^{1,3,5}
*Retired/Former Chairman, President
and Chief Executive Officer
Questar Corporation
Salt Lake City, Utah*

Patricia Frobes^{4,5}
*Senior Vice President
The Irvine Company
Newport Beach, California*

J. David Heaney
*Chairman
Heaney Rosenthal, Inc.
Houston, Texas*

Roger B. Porter^{1,2,3}
*IBM Professor of Business
and Government,
Harvard University
Cambridge, Massachusetts*

Stephen D. Quinn^{2,5}
*Retired/Former Managing
Director and General Partner
Goldman, Sachs & Co.
New Canaan, Connecticut*

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

L. E. Simmons^{1,4}
*President
SCF Partners, L. P.
Houston, Texas*

Shelley Thomas Williams^{1,4,5}
*Communications Consultant
Salt Lake City, Utah*

Steven C. Wheelwright^{3,4}
*Baker Foundation Professor
Senior Associate Dean
Director of Publications Activities
Harvard Business School
Cambridge, Massachusetts*

Directors Emeriti
Richard H. Madsen
Roy W. Simmons

¹ Member, Executive Committee

² Member, Audit Committee

³ Member, Executive
Compensation Committee

⁴ Member, Credit Review Committee

⁵ Member, Nominating and Corporate
Governance Committee

ZIONS FIRST NATIONAL BANK

Salt Lake City, Utah

CORPORATE OFFICERS

Harris H. Simmons
Chairman of the Board

A. Scott Anderson
President and Chief Executive Officer

Executive Vice Presidents

Doyle L. Arnold
John B. D'Arcy
Gerald J. Dent
George M. Feiger
Kay B. Hall
W. David Hemingway
George B. Hofmann III
J. Steven Houston
Diana E. Kirk
LeeAnne B. Linderman
Peter J. Morgan

BOARD OF DIRECTORS

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

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

Ronald S. Hanson
*Retired/Former Vice Chairman
Zions First National Bank
Salt Lake City, Utah*

James T. Jensen
*Executive Vice President,
General Counsel,
Secretary and Director
The Savage Companies
Salt Lake City, Utah*

Susan D. Johnson
*President
Futura Industries
South Weber, Utah*

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

Robert A. Madsen
*RA Investments
Salt Lake City, Utah*

Theresa A. Martinez
*Associate Professor of Sociology
and Associate Dean of Undergraduate
Studies for Outreach
University of Utah
Salt Lake City, Utah*

Roy C. Nelson
*Retired/Former President
Bank of Utah
Ogden, Utah*

Kathryn H. S. Pett
*Of Counsel
Snell & Wilmer L.L.P.
Salt Lake City, Utah*

Keith O. Rattie
*Chairman, President and
Chief Executive Officer
Questar Corporation
Salt Lake City, Utah*

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

Directors Emeriti

Joseph A. Anderson, Jr.
Gregory E. Austin
R. D. Cash
Gordon B. Hinckley
W. Mack Lawrence
Russell M. Nelson
Boyd K. Packer
L. Tom Perry
Roy W. Simmons

AREA ADVISORY BOARDS

Cache/Box Elder

Michael Ballam
Janet Borg
Jeri Garner Collings
Suzanne Ferry
Fred Hunsaker
Gary Jones
Boyd Lewis
Brent Nyman
Sara Sinclair
Randy Watts
Richard Whitaker

Carbon/Emery

Jessica Basso
Mike Dmitrich
Michael Dunwoody
Delynn Fielding
Dave Hinkins
Craig Johansen
Pat Jones
Dino Kiahtipes
Mike Loveless
Frankie Sacco
Kathy Smith
Richard Tatton
Ryan Thomas
Kent Wilson

Eastern Idaho

Mathew Creamer
Garth Hall
Lamoyne Hyde
Gary Jones
Tom Knutson
Leonard May
Dale Mecham
Dale Mickelson
Earl Pond
Dave Stoddard
Joseph Tugaw
Barbara Wood

Grand/San Juan

Douglas Allen
Peter Black
Bill Boyle
Colin Fryer
Sheri Griffith
Phil Lyman
Rick and Cindy Thompson
J. J. Wang

Muticultural/Ogden Area

Javier Chávez
H. Kord Cutrubus
Jesse García
Betty Hall
Pam Candia Hernández
Michiko Nakashima Lizarazo
Bo McDonald
Christina Morales
Frank Ruiz
Donald J. Salazar
Fr. Kenneth Villapando

Multicultural/Salt Lake Area

Karina Baca
Reverend Davis
Marco Díaz
Marco Garaycochea
Molonai Hola
Barbara Lovejoy
Theresa Martínez
Edith Mitko
Cal Nez
Luz Robles
Cecilia Romero
Arlene Urias

Northern Idaho

Rick Beebe
Mark Benson
Gail Byers
Brad Cannon
Pat Garrett
Vicky Jahns
Randy Keatts
Wanda Keefer
Erin Leavitt
Steve Lohman
Linda Morris
Gary Prasil
Dick White

Park City

Josh Aaronson
Joan Calder
Carla Coonradt
Les F. England
Elaine Gordon
Silvia Leavitt
James Lewis
Russell Olsen
Jeff Peterson
Franklin D. Richards
Hank Rothwell
E. Jeffery Smith
Meeche White
David Zatz

South Central

Keith Barrett
Douglas Barton
Alan Christensen
Mark Fuellenbach
Ferral Huntsman
Bradley Johnson
Roger Killpack
Donna Magleby
Jason Maylett
Craig Oberg
Don Peterson
Roger Stanworth

Southern Utah

Karen Alvey
Bruce Ballard
Lee Bracken
Steve Caplin
Robert Huddleston
Don Ipson
Thomas Pugh
Harold Shirley
Nate Staheli
Robert Syrett

Treasure Valley Idaho

Joe Gabrielson
Charley Jones
Dale Peterson
Bret Rodgers
Steve Severn
Alan Smith
Kirk Smith
Ron VanAuker
Kurt Voight
Cheryl Wardle
Jerry Whitehead
Stephanie Witt

Uintah Basin

Stan Gordon
Fran Harding
R. Wayne Jones
Bradley D. Labaron
Gary Showalter
Gaiwen Snow
Percy Stewart, Jr.
Gary Stringham
Bruce Todd

Utah Valley

Bill J. Anderson
Donald Butler
Steven T. Densley
Tim Larsen
Robert W. McMullin
Marlon Snow
John Valentine
Thomas Whitaker
Brent Wood

Weber/Davis

Steven B. Bateman
Kym Buttschardt
Craig Kellerstrass
Carolyn Nebeker
Orluff Opheikens
Jack Parson Jr.
Kent Rich
Harlan Schmidt
Jack Shaum
Lynn Wardley
Ken Warnick
Ken Woolstenhulme

Women's Financial Group

Coralie Alder
Twinkle Chisholm
Mary Kay Griffin
Sheri Griffith
Pat Jones
Peggy Lander
Pam March
Kathryn Pett
Gretta Spendlove
Donna Thompson

**CALIFORNIA BANK
& TRUST**

San Diego, Irvine,
Los Angeles, Oakland

BOARD OF DIRECTORS

David E. Blackford
*Chairman, President and
Chief Executive Officer
California Bank & Trust
San Diego, California*

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

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

Chris Skillern
*Managing Director
San Diego Division
California Bank & Trust
San Diego, California*

Dennis Uyemura
*Managing Director/
Chief Financial Officer
California Bank & Trust
San Francisco, California*

Executive Vice Presidents

George B. Bryce
William Gunnell
Frank Henry
Paul Herman
Jeffrey Hill
Frank Lee
Robert M. Mantle
Scott Monson
Michael Permenter
Lori Poole
Mark Young

AMEGY BANK N.A.

Houston and Dallas, Texas

CORPORATE OFFICERS

Walter E. Johnson
Chairman of the Board

Paul B. Murphy, Jr.
Chief Executive Officer

Scott J. McLean
President

Terry Kelley
*Chairman, Dallas-
Fort Worth Region*

Executive Vice Presidents

Dale H. Andreas
Joseph H. Argue III
John O. Drew
Deborah S. Gibson
Debra J. Innes
Marylyn Manis-Hassanein
George M. Marshall
Randall E. Meyer
Preston Moore
Paul A. Port
Steven D. Stephens
Barbara S. Vilutis
W. Lane Ward

BOARD OF DIRECTORS

Walter E. Johnson
*Chairman of the Board
Amegy Bank N.A.
Houston, Texas*

Willie J. Alexander*
*President
W.J. Alexander & Associates, PC
Houston, Texas*

Doyle L. Arnold
*Vice Chairman and
Chief Financial Officer
Zions Bancorporation
Salt Lake City, Utah*

Carin M. Barth*
*President
LB Capital, Inc.
Houston, Texas*

John B. Brock III*
*Retired/Former Chairman
Ocean Energy, Inc.
Houston, Texas*

Timothy R. Brown*
*Partner
Thompson & Knight LLP
Houston, Texas*

Kirbyjon H. Caldwell*
*Senior Pastor
Windsor Village United
Methodist Church
Houston, Texas*

Ernest H. Cockrell*
*Chairman
Cockrell Interests, Inc.
Houston, Texas*

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

J. David Heaney*
*Chairman
Heaney Rosenthal, Inc.
Houston, Texas*

Paul W. Hobby*
*Managing Partner
Genesis Park, L.P.
Houston, Texas*

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*Chairman of the Board
Permian Mud Service, Inc.
Houston, Texas*

Barry M. Lewis*
*President
Goldeneye, Inc.
Houston, Texas*

Fred R. Lummis*
*Partner
The CapStreet Group, LLC
Houston, Texas*

Scott J. McLean
*President
Amegy Bank N.A.
Houston, Texas*

Paul B. Murphy, Jr.
*Chief Executive Officer
Amegy Bank N.A.
Houston, Texas*

Andres Palandjoglou*
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Rio Largo, Inc.
Houston, Texas

Christopher J. Pappas*
Chief Executive Officer
Pappas Restaurants, Inc.
Houston, Texas

Wilhelmina E. Robertson*
President
Cockspur, Inc..
Houston, Texas

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

Thomas F. Soriero, Sr.*
Private Investor
Houston, Texas

Stanley D. Stearns, Jr.*
President and Chief Executive Officer
Valco Instruments Company, Inc.
Houston, Texas

Manuel Urquidi*
Independent Consultant
Houston, Texas

Mark A. Wallace*
President and Chief Executive Officer
Texas Children's Hospital
Houston, Texas

Directors Emeriti
James G. Moses
Don R. Mullins
Adolph A. Pfeffer, Jr.

* *Advisory Board*

AREA ADVISORY BOARDS

Central
Michael Ainbinder
Les Allison
Scott Anderson
Mary Bass
Bill Bowmen
Frederick Brazelton
William Campbell
Dale Cheesman III
Scott Cone
Bruce Crawford
John H. Echols
Brad Freels
Gary Glesby
Chuck Gremillion
Anthony Grijalva, Jr.
Alan Hassenflu
Rick Herrman
Matthew Khourie
John McDonald
S. James Nelson
Randy Norwood
Kirk Pfeffer
Kevin Snodgrass
Jay Tribble
Scott Wakefield

Fort Bend County
Greg Belin
G.C. Brady
Doyle G. Callender
J. Patrick Gubbels
Lynne Humphries
W.A. Little
Lee Mahlmann
Jack Moore
Ted Nelson
Les Newton
Wayne O. Poldrack
Ike Samad
Bo Sandord
Bill Schwer

Montgomery County

Deborah Bates
Dennis Blyshak
Henry Brooks
Tom Butler
Benjamin Cheng
Roger Galatas
Ronald Gentzler
Julia Gregory
John Hagerman
Max Hoyt
Michael Karlins
Ray Laughter
Rui Martin
Dan McCarty
Morris Monroe
Jeff Paul
Steve Sanders
Bob Smith
John Stibbs, Jr.
Brice Sumrall
Fred Tresca
Spiros Vassilakis
John Webb
Tim Welbes
Jay Wendell
David Wheeler

**NATIONAL BANK
OF ARIZONA**

Tucson, Arizona

CORPORATE OFFICERS

John J. Gisi
Chairman of the Board

Keith D. Maio
President and Chief Executive Officer

Executive Vice Presidents

Gregory D. Behn

Dee H. Burton

Larry S. Davis

David O. Lyons

Craig R. Robb

Pat H. Simmons

Scott B. Summers

Gregory J. Wessel

BOARD OF DIRECTORS

John J. Gisi
Chairman of the Board
National Bank of Arizona
Phoenix, Arizona

Keith D. Maio
President and Chief Executive Officer
National Bank of Arizona
Phoenix, Arizona

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

Larry S. Davis
Executive Vice President
National Bank of Arizona
Phoenix, Arizona

David O. Lyons
Executive Vice President
National Bank of Arizona
Tucson, Arizona

Craig R. Robb
Executive Vice President
National Bank of Arizona
Phoenix, Arizona

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

NEVADA STATE BANK

Las Vegas, Nevada

CORPORATE OFFICERS

William E. Martin
Chairman, President and
Chief Executive Officer

Executive Vice Presidents

R. Bruce Hillier

Jerry R. Martin

Richard R. Veitz

BOARD OF DIRECTORS

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

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

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

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

**VECTRA BANK
COLORADO, N.A.**

Denver, Colorado

CORPORATE OFFICERS

Bruce K. Alexander
Chairman, President and
Chief Executive Officer

Deborah Wapensky
Chief Financial Officer

Richard W. Lawrence
Director of Community
Banking & Administration

R. Thad Allen
Chief Credit Officer

Executive Vice Presidents

Jed Burnham

Scott Page

Regional Presidents

Dianne Andrews

Tom Griffiths

Neil Kvasnak

Carol Skubic

Vince Vigil

Bruce Weber

BOARD OF DIRECTORS

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

Dawn P. Bookhardt
Principal
Bookhardt & O'Toole
Denver, Colorado

Stephen Cavanagh
President
Cavanagh, Inc.
Steamboat Springs, Colorado

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

James L. Rumsey
Financial and Management
Consultant
Denver, Colorado

**THE COMMERCE BANK
OF WASHINGTON, N.A.**
Seattle, Washington

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

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

Scott R. Tipton
President
Tipton Enterprises
Cortez, Colorado

J. Ben Trujillo
President
JB Trujillo, Inc.
Denver, Colorado

Richard B. Tucker
Chairman
Custom Envelope Corporation
Denver, Colorado

David A. Wollard
Chairman Emeritus
Exemple Healthcare
Denver, Colorado

Richard W. Lawrence
Secretary to the Board
Vectra Bank Colorado, N.A.
Denver, Colorado

CORPORATE OFFICERS

Stanley D. Savage
*Chairman, President and
Chief Executive Officer*

David Friedenberg
Managing Director

Lauren C. Jassny
Chief Credit Officer

Ronald H. Lynch
Managing Director
Administration

BOARD OF DIRECTORS

Stanley D. Savage
*Chairman, President and
Chief Executive Officer*
The Commerce Bank of
Washington, N.A.
Seattle, Washington

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

Graham S. Anderson
GRACO Investments
Sun Valley, Idaho

Stanley H. Barer
Chairman Emeritus
Saltchuk Resources, Inc.
Seattle, Washington

Christopher T. Bayley
Chairman
Dylan Bay Companies
Seattle, Washington

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

William D. Bradford
Endowed Professor
Finance, Business and Economics
School of Business
University of Washington
Seattle, Washington

Richard C. Clotfelter
Investor
Bozeman, Montana

David Friedenberg
Managing Director
The Commerce Bank
of Washington, N.A.
Seattle, Washington

Michael D. Garvey
Chairman
Saltchuk Resources, Inc.
Seattle, Washington

James C. Hawkanson
Retired/Former
Chief Executive Officer
The Commerce Bank of
Washington, N.A.
Mercer Island, Washington

John A. Hilton, Jr.
President and
Chief Executive Officer
Bessemer Trust Company
New York, New York

Patrick W. Kuo
President and
Chief Executive Officer
Cascadia Development
Corporation
Bellevue, Washington

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

William Rademaker, Jr.
Private Investor
Seattle, Washington

**THE COMMERCE BANK
OF WASHINGTON, N.A.**

(continued)

William J. Rex
*Retired/Former
Managing Director
Prudential Securities, Inc.
Seattle, Washington*

Robert R. Richards
*Economist
North Bend, Washington*

Faye Sarkowsky
*Community Volunteer
Seattle, Washington*

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

David C. Wyman
*Wyvest
Seattle, Washington*

**THE COMMERCE BANK
OF OREGON**

Portland, Oregon

CORPORATE OFFICERS

Stanley D. Savage
Chairman of the Board

Michael V. Paul
President and Chief Executive Officer

Randy V. Blake
*Managing Director
Finance and Administration*

Eric R. Rey
*Managing Director
Credit Administration*

BOARD OF DIRECTORS

Stanley D. Savage
*Chairman, President and
Chief Executive Officer
The Commerce Bank of
Washington, N.A.
Seattle, Washington*

Doyle L. Arnold
*Vice Chairman and
Chief Financial Officer
Zions Bancorporation
Salt Lake City, Utah*

Ronald H. Lynch
*Managing Director, Administration
The Commerce Bank of
Washington, N.A.
Seattle, Washington*

Larry B. Ogg
*Retired/Former Regional President,
Oregon and SW Washington
Bank of America Oregon
Portland, Oregon*

Michael V. Paul
*President and Chief Executive Officer
The Commerce Bank of Oregon
Portland, Oregon*

OTHER AFFILIATES

CONTANGO CAPITAL ADVISORS, INC.

George M. Feiger
President

NETDEPOSIT, INC.

Danne L. Buchanan
Chief Executive Officer

**WESTERN NATIONAL
TRUST COMPANY**

Kevin S. Mikan
President

ZIONS CREDIT CORPORATION

Alan Ralphs
President

ZIONS DIRECT, INC.

James R. Cooper
Chief Operating Officer

ZIONS INSURANCE AGENCY, INC.

A. Scott Anderson
Chairman and President

**ZIONS MANAGEMENT
SERVICES COMPANY**

Harris H. Simmons
*Chairman, President and
Chief Executive Officer*

Vice Chairmen
Doyle L. Arnold
Gerald J. Dent
Michael A. DeVico
W. David Hemingway

CORPORATE INFORMATION

EXECUTIVE OFFICES

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

ANNUAL SHAREHOLDERS' MEETING

Monday, May 1, 2006, 1:30 p.m.
Salt Lake City Marriott
Downtown
75 South West Temple
Salt Lake City, Utah 84101

TRANSFER AGENT

Zions First National Bank
Corporate Trust Department
10 East South Temple, 12th Floor
Salt Lake City, Utah 84111
(801) 524-4624

REGISTRAR

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

AUDITORS

Ernst & Young LLP
60 East South Temple, Suite 800
Salt Lake City, Utah 84111

NASDAQ NATIONAL MARKET SYMBOL

ZION

NUMBER OF COMMON SHAREHOLDERS

6,591 as of December 31, 2005

DIVIDEND REINVESTMENT PLAN

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

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

CREDIT RATINGS

Moody's Investors Service
Outlook Stable
LT Senior Debt A3
Subordinated Debt Baa1

Standard & Poor's
Outlook Stable
LT Senior Debt BBB+
Subordinated Debt BBB
ST/Commercial Paper A-2

Fitch
Outlook Stable
LT Senior Debt A-
Subordinated Debt BBB+
ST/Commercial Paper F1

Dominion Bond Rating Service
Outlook Stable
LT Senior Debt A (low)
Subordinated Debt BBB (high)
ST/Commercial Paper R-1 (low)

OPTION MARKET MAKERS

Chicago Board Options
Exchange
Philadelphia Stock Exchange

SELECTED INDEX MEMBERSHIPS

S&P 500
S&P Global 100
KBW Bank Sector
Nasdaq Financial 100

INVESTOR RELATIONS

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

Clark B. Hinckley
(801) 524-4787
investor@zionsbank.com

ZIONS BANCORPORATION NEWS RELEASES

Our news releases are available on our website at:
www.zionsbancorporation.com

To be added to the e-mail distribution list, please visit www.zionsbancorporation.com and click on "Email Notification."

INTERNET SITES

Zions Bancorporation:
www.zionsbancorporation.com

Zions First National Bank:
www.zionsbank.com

California Bank & Trust:
www.calbanktrust.com

Amegy Bank:
www.amegybank.com

National Bank of Arizona:
www.nbarizona.com

Nevada State Bank:
www.nsbank.com

Vectra Bank Colorado:
www.vectrabank.com

The Commerce Bank
of Washington:
www.tcbwa.com

The Commerce Bank
of Oregon:
www.tcboregon.com

Contango Capital Advisors, Inc.:
www.contangoadvisors.com

NetDeposit, Inc.:
www.netdeposit.com

Zions Direct, Inc.:
www.zionsdirect.com

ZIONS BANCORPORATION

One South Main Street – Salt Lake City, Utah 84111

www.zionsbancorporation.com