AMEGY BANCORPORATION, INC.
Form 425
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Subject Company: Amegy Bancorporation, Inc.

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FORWARD-LOOKING STATEMENTS

Statements contained in this filing which are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about the benefits of the merger between Zions Bancorporation and Amegy Bancorporation, Inc., including future financial and operating results and performance; statements about Zions Bancorporation s and Amegy Bancorporation, Inc. s plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates , should , may or words of similar meaning. These forward-looking statements are based upon the current beliefs and expectations of the management of Zions Bancorporation and Amegy Bancorporation, Inc. and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond the control of Zions Bancorporation and Amegy Bancorporation, Inc. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) the businesses of Zions Bancorporation and Amegy Bancorporation, Inc. may not be combined successfully, or such combination may take longer, be more difficult, time-consuming or costly to accomplish than expected; (2) the expected growth opportunities and cost savings from the merger may not be fully realized or may take longer to realize than expected; (3) operating costs, customer losses and business disruption following the merger, including adverse effects on relationships with employees, may be greater than expected; (4) governmental approvals of the merger may not be obtained, or adverse regulatory conditions may be imposed in connection with governmental approvals of the merger; (5) adverse governmental or regulatory policies may be enacted; (6) competition from other financial services companies; (7) economic conditions, either nationally or locally in areas in which Zions Bancorporation and Amegy Bancorporation, Inc. conduct their operations, being less favorable than expected; (8) changes in the interest rate environment reducing expected interest margins; and (9) legislation or regulatory changes, which adversely affect the ability of Zions Bancorporation or Amegy Bancorporation, Inc. to conduct the businesses in which they are engaged. Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in the 2004 Annual Reports on Form 10-K of Zions Bancorporation and Amegy Bancorporation, Inc. filed with the Securities and Exchange Commission and available at the SEC s Internet site (http://www.sec.gov). Neither Zions Bancorporation nor Amegy Bancorporation, Inc. undertakes any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date on which such statements were made.

ADDITIONAL INFORMATION AND WHERE TO FIND IT

This communication is being made in respect of the proposed merger transaction involving Zions Bancorporation and Amegy Bancorporation, Inc. Zions Bancorporation has filed a Form S-4, Amegy Bancorporation has filed a proxy statement and both companies have filed or will file other relevant documents concerning the proposed merger transaction with the Securities and Exchange Commission (SEC). INVESTORS ARE URGED TO READ THE FORM S-4 AND PROXY STATEMENT AND ANY

OTHER RELEVANT DOCUMENTS FILED WITH THE SEC BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. You will be able to obtain the documents free of charge at the website maintained by the SEC at www.sec.gov. In addition, you may obtain documents filed with the SEC by Zions free of charge by contacting: Investor Relations, Zions Bancorporation, One South Main Street, Suite 1134, Salt Lake City, Utah 84111, (801) 524-4787. You may obtain documents filed with the SEC by Amegy free of charge by contacting: Controller, Amegy Bancorporation, 4400 Post Oak Parkway, Houston, Texas 77027, (713) 235-8800.

ZIONS BANCORPORATION AT MERRILL LYNCH CONFERENCE

Date: November 16, 2005

On November 16, 2005 Zions Bancorporation Vice Chairman and Chief Financial Officer spoke at the Merrill Lynch Conference in New York. Mr. Arnold discussed certain matters relating to its proposed merger with Amegy Bancorporation, Inc. This filing contains a transcript of portions of the presentation relating to the proposed merger and slides presented during the presentation.

Note: words in brackets [ ] have been added for clarity.

CORPORATE SPEAKER

Doyle Arnold, Zions Bancorporation Vice Chairman and Chief Financial Officer

EXCERPTS FROM PRESENTATION

Doyle Arnold - ***Zions Bancorporation - CFO***

What I d like to do now is give you a brief update on where we are with the Amegy acquisition; what we think it does for us; what we have to do to make it work and so forth.

First of all Amegy should not be dilutive to our growth. In fact, they have grown topline faster than we have in terms of loans and deposits. Over most of the period covered by this graph chart going back to 2000, their growth benefited from some acquisitions and ours did not. We did not acquire any loans or deposits through acquisitions of banks in 2001. I just we closed one in 2001 and early 2002 perhaps and nothing in 03 04 and to date in 05 to speak of. There was one tiny one that closed in 02 or early 03 in Arizona but it was only $100 million.

They have done some significant ones but nonetheless their growth organically has been roughly comparable to ours during this time period. What they didn t do as well over the same time period was two things. One is manage interest rate risks and two, is managed cost. This chart illustrates the divergence in their net interest margin from peers and ourselves. Again the orange line that ends at 4.59% is our the scale now is blown up. It is the same data points you saw for us earlier, culminating in 4.59% that is our net interest margin by quarter. The yellowish line is the peer average and the blue line is what has been happening to Amegy with a very steady decline from a larger net going back 4 or 5 years, was actually higher than ours to one that has been declining throughout when rates were coming down and when rates went back up; and is now significantly below ours.

They have pursued a very different strategy than we have with a large book of mortgage-backed securities to extend duration in some other investment securities which generated pricing pressure on their funding etc. and of course those securities were marked to market underwater as rates rose but not taken through the income statement. So, very difficult for them to get out of that position without destroying the quarter s earnings.

We will soon as we get that approval again more aggressively repositioning that portfolio and then mark whatever is still on the books it will be marked to market at the close, taken into goodwill and we will be basically changing them from an extended duration by balance sheet assets strategy to extended duration with interest rate swaps strategy, much as the one we pursue.

They also let expenses get out of control. Again, they are the orange line that has risen to about 65%. We think there is no reason that we cannot get them down into something in the ballpark of our efficiency ratio. Our four banks that are most comparable to them in terms of size, asset mix, etc., operate with efficiency ratios ranging from the high 40s to the mid-50s. Company as a whole is in the mid-50s.

If we simply get them from their mid-60s down into that range, we will achieve the expense reductions that we suggested right after we announced the transaction and perhaps even then some. And we have now specifically identified expense cuts in the range of the two numbers on the bottom of this chart between $44 and $55 million. We are very confident that we can get to those numbers over the year to 18 months after the close.

So all we have to do to make this acquisition work out long-term is continue the growth and I will point out that they continued to post very strong growth in the third quarter. Usually in an acquisition scenario, you talk about how much attrition will the acquired institution suffer. We talked about how much growth there would be when we announced the deal and in fact even though it closed in the early third excuse me was announced in early July, they posted very strong loan and deposit growth. The customer reception has been very good, no loss of key relationship officers etc. which I am aware of.

So the growth engine there remains intact. Their credit culture is fine. We want to maintain that, just tweak it and incorporate it into our credit process and then work on the efficiency ratio and on the interest rate risk management problems, both of which we think are quite tractable.

In terms of status, we as I mentioned, they had a very strong third quarter, I think somewhat to the surprise of at least some analysts and investors. They made limited progress on the balance sheet restructuring, again waiting for certainty of close before they began to do that.

At this point they have probably taken about $150 million of mortgage-backs and other assets off the balance sheet. They did shrink eurodollar funding by several hundred million dollars in the third quarter. And again as we get close to close, we will begin to more aggressively wind down that securities portfolio and the high-cost funding.

The Amegy shareholders approved by a margin of, I think 98 or 99%, very strong approval. We issued, as I mentioned, last week the $600 million of subordinated debt to raise cash to fund the cash portion of the cash stock mix. And essentially we are waiting for Fed approval at this point. That could come at any time. We are not aware of any outstanding issues or information requests that the Fed for which the Fed is awaiting response from us. So we are just now waiting on them.

So with a tack on a mandatory as I understand it 15 day waiting period after Fed approval before we are allowed to close under the antitrust laws, you get to an early December perhaps close or sometime in the few weeks thereafter.

So that is an update on Amegy. Now setting Amegy aside, what is going to drive growth in the next year or so? We still expect loan and deposit growth although I believe Heather has written a nice piece about regional banks, about slowdown. And I think we are not immune from that. I don t think it pays to bet against the Fed. The Fed is clearly intent on achieving a slowdown so I don t know that we will continue the strong double-digit loan growth in 06 that we have had in 04 and 05. It may slow by a few percentage points, outside of Nevada, I haven t really seen signs of that yet but we think it is probably on the horizon.

Credit cost can t get much lower. They are stellar. We don t see anything on the horizon that says credit quality has deteriorated or is about to so it is not clear that costs will go up. But they can t be a driver of increased earnings. Neither do we think that our margin can expand or will expand much from where it is. Best outlook is reasonably stable quarter to quarter, a few basis points either way with probably a slight bias downward but very slight.

Amegy s margin on the other hand, when we depending upon how much of the securities portfolio we get sold before close or very early after the close, our margin may be reported margin may be compressed substantially for one quarter as we until we get those off the books but basically we will be and believe that we can raise Amegy s component of our margin to something reasonably close to what we have today, i.e., in the 4.5, 4.6% range. Let s call it 4.4 to 4.6 as opposed to down in the 3.7, 3.8 range where they are today.

But that ll take perhaps to fully achieve that will take until probably late second quarter. We get most of it done in December and January.

Our efficiency ratio will also deteriorate immediately after Amegy and come back down as we get the costs out of there. We have suspended the stock buyback as (we got the checkmark on the wrong line here for which I apologize). We are not doing stock buybacks in 06. It is suspended as we rebuild capital and will remain so until probably late in 06. And then we will begin to phase it back in. Then just a caution. There ll be a lot of noise in the quarter or two around the Amegy closing related to the purchase of accounting, increased goodwill, core deposit, intangibles, severance cost, stay in place bonuses and all of the kind of stuff that you are used to seeing.

So we will try to for the next quarter or two we will give you a progress report on how we are doing on the integration getting the costs out etc. and on the topline growth but the bottom line will be a little noisy for certainly in the quarter in which we close and perhaps for one or two thereafter.

Questions and Answers

Unidentified Audience Member

(inaudible)

Doyle Arnold - ***Zions Bancorporation - CFO***

Could you repeat that? I just couldn t quite hear you.

Unidentified Audience Member

When you restructure Amegy s assets are you going to be taking losses (indiscernible) portfolios?

Doyle Arnold - ***Zions Bancorporation - CFO***

Yes.

Unidentified Audience Member

How would you handle that?

Doyle Arnold - ***Zions Bancorporation - CFO***

First of all, the losses have been taken through the equity account already, up through September 30th. These securities have been marked to market through other comprehensive income so they hit the equity account directly but have not flowed through the income statement. The total magnitude of that mark-to-market loss at September 30th, I believe, was $25 or $30 million. Somewhere in that range. And it has probably increased $2 million or so since then. It is probably in the $40-something million range given the way interest rates have moved at this point.

What we sell whatever is on the books the day we close will be marked-to-market on the day we close and that mark will be just become a part of goodwill. That mark will not flow through the income statement. What we sell, what they sell before the close will hit their income statement and flow through net income.

So if they sell a couple hundred million and take a loss on it in December or so and we close in December, you ll never see those results reported. And, again, they will start to diminish equity, however, and we will simply become a component of goodwill. Whatever is on our books the day after we close, if we sell anything it will have been marked-to-market. But after then if we sell it the next day and rates have moved downward there ll be a gain and we will take our gain. If rates have moved upward there ll be a loss and we will take a loss.

So anything after that mark will flow through our income statement for a quarter or two. No impact, really, on the net equity, shareholders equity, whichever way it goes but that is one of the reasons for the noise in reported net income. It is one of the reasons we want to get as much of that portfolio restructured as quickly as we can so that we can reduce that noise.

There are 200 or 300 million of those securities that are pledged against municipal deposits that we won t necessarily be able to sell until second quarter. So there ll be some noise there that is not hedgeable but not a lot.

Unidentified Audience Member

(indiscernible microphone inaccessible)

Doyle Arnold - ***Zions Bancorporation - CFO***

Yes to 1, no to 2, yes to 3. Amegy will exert a strong downward bias initially on our reported margin but the fundamentals will improve pretty quickly as we restructure their portfolio. We are not terribly concerned about whether the Fed continues to tighten or not. That in itself won t have a whole lot of impact on us. The implied forward yield curve anticipates at least three about I think three more Fed tightenings. I think under that scenario we are probably roughly flat in the first year in asset-sensitive and the second year out. It s the best we can measure it.

Merrill Lynch Banking and Financial
Services Conference
16 November 2005

The Intermountain West s
Largest Banking Company

Total
Assets
Over
$33

Billion
($40+
billion
pro
forma

24
th
Largest Domestic Bank by Deposits

S&P 500 Index

NASDAQ Financial 100 Index

Nearly 400 Offices and 500 ATMs in 8 States
)

Strategic Overview

Operate in high growth markets

Local banks, brands, management, incentives

Centralized:

Risk management

Tech & ops

Strategic Overview:
Implications

Operate in high growth markets

High rate of RE development, business formation and expansion

Strong loan growth

Local management, brands

Focus on relationship banking

No scale for mass market advertising

Limited consumer focus

Deposit growth usually lags loan growth

Loan growth dominated by small & mid mkt
C&I
and CRE

Strategic Overview:
Implications

Risk profile: Loan quality high

Growth markets

Relationship banking

Earning assets grow without stretching for sub-prime

Consumer lending lags

Strategic Overview:
Implications

Risk
profile:
NIM
naturally

high,
but
volatile

Earning assets dominated by variable rate
commercial lending

Limited deposits to fund securities, e.g., MBS s
to
extend duration

Interest rate swaps reduce asset sensitivity without
using expensive capital

Extend duration, and

Pick up yield (in normal
rate environment)

Source: SNL DataSource
Note: Deposit and asset growth from June 30, 2000 to June 30, 2005. Rank by bank deposits in state.
A Collection of Great Banks
Branches: 42
Deposits: $1.6B
Rank:
7
2004 ROAA: 0.8%
5-Yr. Dep. Growth: 2.3%
5-Yr. Asset Growth: 1.1%
Vectra Bank Colorado
Branches: 150
Deposits: $8.3B
Rank:
1
(UT)
/
8
(ID)
2004 ROAA: 1.3%
5-Yr. Dep. Growth: 15.0%
5-Yr. Asset Growth: 9.3%
Zions Bank
Branches: 54
Deposits: $3.2B
Rank:
4
2004 ROAA: 1.4%
5-Yr. Dep. Growth: 20.3%
5-Yr. Asset Growth: 18.7%
National Bank of Arizona
Branches: 94
Deposits: $8.4B
Rank: