FEDERAL RESERVE SYSTEM

Wells Fargo & Company
San Francisco, California

Order Approving the Acquisition of a Bank Holding Company

Wells Fargo & Company ("Wells Fargo") has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) to acquire all the voting shares of Two Rivers Corporation ("Two Rivers"), and thereby indirectly acquire Bank of Grand Junction ("GJ Bank"), both in Grand Junction, Colorado.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (66 Federal Register 38,340 (2003)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Wells Fargo, with total consolidated assets of approximately $363 billion and total insured domestic deposits of $210 billion, is the third largest commercial banking organization in the United States. Wells Fargo operates subsidiary depository institutions in Alaska, Arizona, California, Colorado, Idaho, Illinois, Iowa, Michigan, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin, and Wyoming. Wells Fargo controls approximately 5.9 percent of total assets of insured commercial banks and approximately 4.4 percent of total deposits of insured depository institutions in the United States.[1] Wells Fargo is the largest commercial banking organization in Colorado, controlling deposits of $9.9 billion, representing approximately 18 percent of total deposits in insured depository institutions in the state ("state deposits").[2]

Two Rivers, with total consolidated assets of $72 million operates one depository institution in Colorado. Two Rivers is the 97th largest depository organization in Colorado, controlling total deposits of $57.6 million, representing less than 1 percent of state deposits. On consummation of the proposal, Wells Fargo would remain the third largest commercial banking organization in the United States and the largest commercial banking organization in Colorado.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company if certain conditions are met.[3] For purposes of the BHC Act, the home state of Wells Fargo is Minnesota, and Wells Fargo proposes to acquire a depository institution in Colorado. Based on a review of all the facts of record, including a review of relevant state statutes, the Board finds that all the

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[1] Asset, deposit, and national ranking data are as of December 31, 2002. In this context, depository institutions include commercial banks, savings banks, and savings associations.

[2] State deposit and state ranking data are as of June 30, 2002.

[3] A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of such company were the largest on the later of July 1, 1966, or the date on which the company became a bank holding company. 12 U.S.C. § 1841(o)(4)(C).

conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[4] In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[5]

The subsidiary depository institutions of Wells Fargo and Two Rivers currently compete in the Grand Junction, Colorado, banking market.[6] Consummation of the proposal would be consistent with the Department of

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[4] See 12 U.S.C. §§ 1842(d)(1)(A) and (B), 1842(d)(2)(A) and (B). Wells Fargo is adequately capitalized and adequately managed, as defined by applicable law. In addition, on consummation of the proposal, Wells Fargo would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total deposits of insured depository institutions in Colorado. Colorado law prohibits the interstate acquisition of a Colorado bank that has existed for fewer than than 5 years. This transaction would meet the minimum age requirements imposed by Colorado law. See Colo. Rev. Stat. § 11-6.4-103 (2003).

[5] 12 U.S.C. § 1842(c)(1).

[6] The Grand Junction banking market is defined as Mesa County, Colorado.

Justice Merger Guidelines ("DOJ Guidelines") and Board precedent.[7] After consummation of the proposal, the market would remain moderately concentrated, as measured by the HHI, and numerous competitors would remain in the market.[8] The Department of Justice also has advised the Board that it believes that consummation of the proposal is not likely to have a significantly adverse effect on competition in any relevant banking market. Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market, and that competitive considerations are consistent with approval.

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[7] Under the DOJ Guidelines, 49 Federal Register 26,823 (1984), a market is moderately concentrated if the post-merger HHI is between 1000 and 1800. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

[8] On consummation of the proposal, Wells Fargo would remain the largest depository institution in the Grand Junction banking market, controlling deposits of $363.9 million, representing approximately 31.3 percent of total deposits in insured depository institutions in the market. The HHI would increase 261 points to 1556, and the market would remain moderately concentrated. These calculations use deposit and market share data as of June 30, 2003, and include the deposits of thrift institutions at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984); and First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

Financial, Managerial, and Other Supervisory Factors

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including reports of examination, other confidential supervisory information received from the primary federal banking agency that supervises each institution, and information provided by Wells Fargo. Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of Wells Fargo, Two Rivers, and GJ Bank are consistent with approval, as are the other supervisory factors under the BHC Act.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effects of the proposal on the convenience and needs of the communities to be served and to take into account the records of the relevant insured depository institutions under the Community Reinvestment Act ("CRA").[9] The Board has carefully considered the convenience and needs factor and the CRA performance records of the subsidiary banks of Wells Fargo and Two Rivers in light of all the facts of record. Wells Fargo's lead bank, Wells Fargo Bank, N.A., San Francisco, California ("WF Bank"), received an "outstanding" rating at its most recent CRA performance evaluation by the Office of the Comptroller of the Currency ("OCC"), as of October 1, 2001. All other Wells Fargo subsidiary depository institutions received "outstanding" or "satisfactory"

[9] 12 U.S.C. § 2901 et seq.

CRA ratings at their most recent CRA performance evaluations.[10] As discussed in the Board's companion order of October 16, 2003, approving the application by Wells Fargo to acquire Pacific Northwest Bancorp, Inc., Seattle, Washington, Wells Fargo has implemented many programs to help meet the convenience and needs of the communities it serves and has taken steps to ensure compliance with fair lending laws.[11] GJ Bank received a "satisfactory" rating at its most recent CRA performance evaluation by the Federal Deposit Insurance Corporation ("FDIC"), as of August 12, 2002.

One commenter expressed concern about the effect of a branch closing that may result from this proposal. The Board has carefully considered the comment on potential branch closings in light of all the facts of record. Wells Fargo has represented that the branch in question is in a middle-income census tract and next door to a Wells Fargo branch that is less than a mile from Wells Fargo's main office in Grand Junction.

The Board also has considered that federal banking law provides a specific mechanism for addressing closings of branches of

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[10] The Interagency Questions and Answers Regarding Community Reinvestment provides that an institution's most recent CRA performance evaluation is an important consideration in the application process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor. 66 Federal Register 36,620 and 36,639 (2001).

[11] See Wells Fargo & Company, 89 Federal Reserve Bulletin ___ (2003) (Order dated October 16, 2003) ("Pacific Northwest Order"). The CRA ratings of Wells Fargo's other subsidiary banks are listed in Appendix C of that order. The record of that application and the findings in the Pacific Northwest Order are incorporated into and made part of this order.

insured depository institutions.[12] Federal law requires an insured depository institution to provide notice to the public and the appropriate federal supervisory agency before closing a branch. In addition, the Board notes that the OCC and FDIC, as the appropriate federal supervisors of Wells Fargo's subsidiary banks, will continue to review the branch closing records of the banks in the course of conducting CRA performance examinations.[13]

Based on all the facts of record, and for reasons discussed above, the Board concludes that considerations relating to the convenience and needs factors, including the CRA performance records of the relevant depository institutions, are consistent with approval of the proposal.

Conclusion

Based on the foregoing and in light of all the facts of record, the Board has determined that the application should be, and hereby is,

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[12] Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 Federal Register 34,844 (1999)), requires that a bank provide the public with at least 30 days' notice and the appropriate federal supervisory agency with at least 90 days' notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

[13] The commenter also complained that some Wells Fargo customers were required to travel to Queens, New York, after Wells Fargo closed an office of its nonbank subsidiary, Island Finance Credit Services, Inc. ("Island Finance"), a consumer finance company located in Bronx, New York. Island Finance has since ceased operations in the continental United States, Alaska, and Hawaii. However, Wells Fargo continues to offer credit products in New York City, including the Bronx, through offices of its subsidiary, Wells Fargo Home Mortgage, Inc., Des Moines, Iowa. The commenter raised other concerns about Wells Fargo that have been addressed in the Pacific Northwest Order.

approved. In reaching this conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Wells Fargo with all the representations and commitments made in connection with the application and the receipt of all other regulatory approvals. These representations, commitments, and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The transaction shall not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,[14] effective October 16, 2003.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

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14 Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.