

LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

August 2, 1999

Community Reinvestment Act Performance Evaluation

Norwest Bank Arizona, National Association
Charter Number: 15715

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NOTE: This evaluation is not, and it should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Norwest Bank Arizona, National Association**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of August 2, 1999. This agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions help provide a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA) - Geographic area as delineated by a bank within which the OCC evaluates the bank's record of helping to meet the credit needs. Used interchangeably with community.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs are established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Community Development - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as race, gender, applicant income, requested loan amount, and disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Low- and Moderate- Income (LMI) - Income levels that are less than 50% of the median family income, and, income levels that are at least 50%, but less than 80% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans

to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The following table shows the performance level of **Norwest Bank Arizona, National Association**, with respect to the Lending, Investment, and Service tests.

Performance Levels	Norwest Bank Arizona, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X	X	X
Low satisfactory			
Needs to improve			
Substantial noncompliance			

(*) Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors supporting the institution's rating are:

- **An excellent level of home mortgage, small business, and community development lending in several of its assessment areas.**
- **A good distribution of home mortgage and small business loans to borrowers of different income levels**
- **A poor home mortgage distribution but a good small business distribution among geographies of different income levels.**
- **An good level of qualified investments in most of its assessment areas.**
- **A good delivery system for retail services that is accessible to geographies and individuals of different income levels in the bank's assessment areas.**
- **A good level of community development services.**

Description of Norwest Bank Arizona, National Association

Norwest Bank Arizona, National Association (NWAZ), an intrastate bank, is headquartered in Phoenix, Arizona, and conducts business through a system of 84 branch offices in seven assessment areas within the state. In addition to Phoenix (Phoenix-Mesa MSA), NWAZ has branch offices in the Flagstaff, Las Vegas, Tucson, and Yuma MSAs and in its Northern Rural Arizona (Apache, Gila, Navajo, and Yavapai Counties) and Southern Rural Arizona (Cochise and Santa Cruz Counties) Assessment Areas.

NWAZ is a subsidiary of Wells Fargo & Company (WFC), San Francisco, California, a multi-bank holding company. WFC recently merged with Norwest Corporation, which formerly was headquartered in Minneapolis, Minnesota. WFC has total assets in excess of \$200 billion and conducts business through 2,916 offices and over 6,000 ATMs in 21 states.

NWAZ has total assets of approximately \$4.8 billion, and total deposits of some \$3.7 billion. Loans, net of allowances for losses, total approximately \$2.2 billion, equating to about 46% of total assets and about 59% of total deposits. Approximately 28% of the bank's loans are to individuals for household, family, and personal use. Another 18% of the loan portfolio financed commercial and industrial businesses. The remainder of the portfolio is largely secured by real estate for purposes such as construction and land development, personal use, and farming. NWAZ has a total Tier I capital base of approximately \$342 million.

At the request of NWAZ and in accordance with provisions of the CRA, this evaluation considers lending activities of Norwest Mortgage, Inc., and Norwest Home Improvement, Inc. These affiliates are related subsidiaries of WFC and not subsidiaries of NWAZ.

NWAZ is a full service bank offering a typical array of retail banking services and loan products. Its business strategy is in no way limited or specialized to any narrow field of endeavor. Through the bank's affiliate, Norwest Mortgage, borrowers can obtain home purchase and refinance lending that is sometimes not available through other local commercial banks.

There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of its assessment areas.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This evaluation included a review of the bank's HMDA-reportable, small business, small farm, and community development lending; community development investments; and retail and community development services. In accordance with OCC policy, HMDA-reportable, small business, and small farm lending was evaluated for the calendar years 1997 and 1998. All other products and activities were evaluated for the period beginning at the date of the previous CRA public evaluation (October 18, 1996) and concluding August 2, 1999.

Data Integrity

In association with this review, small business and small farm data submitted by the bank in compliance with requirements of the CRA and utilized for analysis were reviewed for accuracy utilizing a selected sample. This activity revealed no significant errors in reporting. Some minor errors were detected and corrected for analysis purposes. The accuracy of HMDA data was reviewed utilizing reports and working papers of the bank's internal auditors as well as a review of a sample of loan applications. The HMDA, Small Business, and Small Farm data were determined to be accurate and useful for analysis.

Information presented to the examiners to support the bank's compliance with the Investment Test and with the community development portions of the Lending and Service Tests was reviewed carefully to ensure qualification under the definitions and requirements of the CRA.

Selection of Areas for Full-Scope Review

NWAZ has established seven assessment areas (AAs). Three (Phoenix-Mesa MSA, Tucson MSA, and Northern Rural Arizona) were selected for full-scope review. The other AAs (Flagstaff MSA, Las Vegas MSA, Yuma MSA, and Southern Rural Arizona) received limited-scope reviews.

Phoenix-Mesa is the most significant of the bank's AAs because of its size. It is the largest of the market areas, providing more than 70% of the bank's deposits. NWAZ is the third largest financial institution in this market, garnering approximately 11% of the total deposits. Tucson is the second largest population center in which NWAZ operates. The bank has established two rural AAs. The Northern Rural Arizona AA was selected for full-scope review in order to ensure that rural areas were included in this evaluation. The Northern Rural Arizona AA includes the Navajo Nation, a

significant entity in northern Arizona and adjacent states.

Ratings

NWAZ's overall rating is based primarily on those areas that received full-scope reviews. The bank's performance in the AAs receiving a limited-scope review was assessed to ensure consistency.

Other

Various community contacts in several of NWAZ's AAs were reviewed. These included housing and small business advocates, nonprofit capacity building organizations, business development specialists, and local government officials. In general, comments received about NWAZ's participation in its communities, has been positive. The comments indicate that there is continuing need for affordable housing and additional access to small business financing. These are areas that NWAZ has tried to address. No comments were received which generated specific concerns regarding the bank's CRA performance during this review.

Fair Lending Review

In conjunction with the CRA review, the OCC conducted a Fair Lending examination of NWAZ. The examination utilized the OCC's Fair Lending examination procedures and focused upon home improvement loan applications underwritten by the bank's Consumer Retail Division. Examiners selected and analyzed a sample of applications submitted by Hispanic, Native American, and white persons that were processed between April 1, 1998, and March 31, 1999. The sample included 122 loan applications. The objective was to determine if NWAZ provided consistent treatment to these applicants without regard to race, color, religion, national origin, sex, marital status, age, receipt of public assistance income, or the applicant's exercise in good faith of any right under the Consumer Credit Protection Act. These factors (prohibited bases) can form the basis for illegal discrimination.

Conclusions:

- The OCC found no evidence of disparate treatment applied on a prohibited basis; no violations of fair lending laws were cited.
- NWAZ has a satisfactory process in place, including training, to help ensure ongoing compliance with fair lending laws.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated High Satisfactory. Based on full-scope reviews, the bank's performance in the Phoenix-Mesa MSA, the Tucson MSA, and in Northern Rural Arizona is good.

The major factors that support this rating include:

- NWAZ's adequate distribution of home mortgage loans to geographies of different income levels;
- NWAZ's good distribution of small business loans to geographies of different income levels;
- NWAZ's good distribution of home mortgage and small business loans to borrowers of various income levels;
- NWAZ's excellent record of providing home mortgage, small business, and community development lending in its assessment areas.

LENDING ACTIVITY

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

We considered NWAZ's lending performance to be adequate based on an excellent volume of home mortgage, small business, and community development lending, an adequate lending performance in LMI geographies and a good penetration of lending to LMI borrowers.

NWAZ's lending activity reflects excellent responsiveness in helping meet identified credit needs in its communities. In its own right and through its affiliate entities, NWAZ has delivered a substantial amount of credit for home mortgages, small business, and community development purposes. During the evaluation period, NWAZ made more than 59 thousand loans of these types totaling in excess of \$6 billion. Home mortgage lending accounted for 95% of these totals. The bank made more than seven thousand home mortgage and small business loans totaling almost \$600

million in LMI areas and more than 13 thousand home mortgage loans totaling more than \$881 million were made to LMI borrowers. NWAZ's home mortgage and small business loans in LMI areas accounted for 13% of its total lending.

The bank's small farm lending has not been a major component of the bank's activities, but unmet needs for that lending have not been identified in the assessment areas. Other commercial lending is also a significant component of the bank's lending activity, but is not evaluated here, in accordance with the CRA regulation.

NWAZ has a record of lending activity in its AAs that is commensurate overall with its collection of deposits in those AAs. In the Phoenix-Mesa MSA, NWAZ holds approximately 11% of all deposits and ranks third in size. In that AA, it is the largest lender of home purchase loans, the second largest home refinance lender, and the fifth largest home improvement lender. In the Tucson MSA, where NWAZ ranks fifth in size, with approximately 8% of all deposits, it ranks second in home purchase lending, third in home refinance lending, and seventh in home improvement lending. In Northern Rural Arizona, NWAZ is the third largest institution, with approximately 13% of the deposits. In this AA, it is the largest home purchase and refinance lender and the third largest home improvement lender. NWAZ is not a leader in its AAs in the volume of small business lending and ranks eighth in Phoenix-Mesa, ninth in Tucson, and seventh in Northern Rural Arizona among the reporting institutions in those areas. Small business lending represents about 5% of NWAZ's CRA reportable lending. The bank's deposit and lending activities in the four limited-scope AAs, are not inconsistent with those described above. Accordingly, NWAZ's deposit resources are not being inappropriately diverted out of its AAs.

In analyzing NWAZ's Lending Test performance, greater weight was given to its home mortgage lending versus its small business and small farm lending. This is because of the relative significance of each in the AAs' credit needs and the bank's operations. Also, throughout the review of the bank's lending record, mortgage refinance lending was given less consideration than home purchase lending because refinance lending generally is for the purpose of lowering existing credit costs rather than for home acquisition. The Phoenix-Mesa MSA is the bank's largest AA both in deposit generation and loan activity, therefore it was weighted accordingly.

DISTRIBUTION OF LOANS BY INCOME LEVEL OF THE GEOGRAPHY

The geographic distribution of NWAZ's home mortgage, small business, and small farm loans reflects adequate distribution throughout the bank's AAs. The bank's performance is adequate in Phoenix-Mesa, Tucson, and Northern Rural Arizona.

Home Mortgage Loans

Refer to Tables 2, 3, and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

Home Purchase Loans: NWAZ's geographic distribution of home purchase loans in the Phoenix-Mesa MSA is adequate, and its performance in the Tucson MSA and Northern Rural Arizona is poor. The bank's geographic distribution of these loans do not indicate that it has effectively used its mortgage lending expertise to penetrate LMI geographies when comparing its performance to these areas' respective percentage of owner-occupied residences located in LMI geographies. The proportion of home purchase loans made by NWAZ in LMI geographies areas are significantly lower than the respective demographic distribution of owner-occupied units. The bank's proportion of home purchase lending in LMI tracts are similar to the average distribution for all lenders. However, lenders of comparable size and resources have significantly exceeded the bank's performance. In 1998, the bank did show improvement in Northern Arizona as all of its home purchase loans in low-income geographies were originated in that year.

In the Phoenix-Mesa MSA and in Northern Rural Arizona, NWAZ is the largest lender of home purchase funds, and in the Tucson MSA it is the second largest lender. Yet its market share of loans in low-income geographies in each of these areas is considerably lower than its respective overall market share. The bank's market share of home purchase loans in moderate-income geographies in the Phoenix-Mesa MSA nearly matches its overall market share and supported its number one ranking in these areas. While the bank's market shares of home purchase loans in moderate-income geographies in the Tucson MSA and Northern Rural Arizona are higher than in low-income geographies, the respective market shares remain lower than the bank's overall market shares, especially in Northern Rural Arizona where the difference is noticeable.

Home Improvement Loans: NWAZ's geographic distribution of home improvement loans in the Phoenix-Mesa MSA is poor. Although the percentage of loans it made in low-income geographies is near to the percentage of owner-occupied units, the percentage of loans it made in moderate-income geographies is significantly less than the percentage of such units. Here also, the percentages of loans made by NWAZ in LMI tracts are similar to average of all reporters, but do not approach the percentages made by lenders of similar size. The situation is much the same in the Tucson MSA where the bank's lending distribution is also poor. By contrast the distribution of home improvement loans in Northern Rural Arizona is excellent. The percentage of loans in low-income geographies exceeds the percentage of owner-occupied housing

units, and those percentages are identical in moderate-income geographies.

The bank's market shares of home improvement loans in both the Phoenix-Mesa MSA's LMI geographies are notably less than its overall market share. However, in Tucson MSA, unlike the Phoenix-Mesa MSA, the bank's market share of loans in low-income geographies exceeds its overall market share. The bank is the third largest home improvement lender in the Northern Rural Arizona area, and its market shares in LMI geographies far exceed its overall market share.

Home Refinance Loans: NWAZ's geographic distribution of home refinance loans reflects the same poor factors in the Phoenix-Mesa MSA, Tucson MSA, and Northern Rural Arizona as was previously noted in the bank home purchase lending. In all three areas, the percentages of loans by the bank in LMI geographies are significantly lower than the percentage of owner-occupied housing units in those areas. Further, in Northern Rural Arizona, NWAZ made no refinance loans in low-income geographies.

NWAZ's market shares in all areas are less for LMI geographies than its market shares for the areas as a whole. NWAZ was able to maintain its number one standing in lending in moderate-income areas even though its demographic parity remained below the areas' owner-occupied level.

Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

In the Phoenix-Mesa MSA, NWAZ has a good geographic distribution of small loans to businesses. In low-income geographies, the percentage of the bank's loans is equivalent to the percentage of all businesses located there. In moderate-income geographies, these percentages are not significantly different.

NWAZ ranks eighth in this market in total small loans to businesses, and its market share of such loans in low-income geographies is markedly less than its overall market share. However, in moderate-income geographies its market share is slightly higher than its overall market share.

In the Tucson MSA, NWAZ has achieved an excellent distribution of small loans to businesses. The bank's percentage of these loans in both LMI geographies exceeds the percentage of all businesses located in those geographies. Although only the ninth ranked reporter of small loans to businesses in the Tucson MSA, NWAZ has a larger market share of such loans in both LMI geographies than its overall market share.

NWAZ has an excellent distribution of small loans to businesses in Northern Rural Arizona. Its percentage of these loans exceeds the percentage of all businesses located in both LMI geographies. There are relatively few businesses in these geographies, but NWAZ has responded strongly to their credit needs. The bank's market share also exceeds its overall share in both low-income and, most notably, in moderate-income geographies.

Small Loans to Farms

Lending to farms is not a significant line of business for NWAZ. The bank made only two such loans during the evaluation period, which is insufficient for any meaningful analysis. This information is, nonetheless, displayed in Table 6 in Appendix C.

Lending Gap Analysis

An analysis of NWAZ's home mortgage lending patterns utilizing mapping techniques did not reveal any significant or unexplained gaps in the geographic distribution in any of the bank's AAs.

Inside/Outside Ratio

NWAZ has done an excellent job of serving borrowers within its defined assessment areas. In 1997 and 1998, over 98% of the bank's own HMDA-reportable lending (exclusive of affiliate lending) was within the bank's AAs. A similar percentage of small business and small farm lending was also within the bank's AAs.

DISTRIBUTION OF LOANS BY INCOME LEVEL OF THE BORROWER

The distribution of home mortgage, small business, and small farm loans by the income levels of the borrowers is adequate in the Phoenix-Mesa MSA and good in the Tucson MSA and Northern Rural Arizona. This distribution is considered adequate overall.

Home Mortgage Loans

Refer to Tables 7, 8, and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Home Purchase Loans: The distribution of NWAZ's home purchase loans by the income level of the borrower in the Phoenix-Mesa MSA and the Tucson MSA is good. Although the percentage of the bank's loans to low-income borrowers is lower than

the percentage of low-income families in both areas, the percentage of loans to moderate-income borrowers is higher than the proportion of moderate-income families. Furthermore, the bank's market shares for both LMI borrowers in Phoenix-Mesa and for moderate-income borrowers in Tucson exceed its respective overall market share. The bank's low-income borrower market share in Tucson is somewhat lower than its overall market share.

The distribution of NWAZ's home purchase loans by the income level of the borrower in the Northern Rural Arizona assessment is adequate. While the bank's market shares for LMI borrowers are somewhat higher than its overall market share, the percentage of loans to low-income borrowers is substantially lower than the percentage of low-income families. Also, the percentage of the bank's loans to moderate-income borrowers is notably less than the percentage of moderate-income families.

Home Improvement Loans: The distribution of NWAZ's home improvement loans by the income level of the borrower in the Phoenix-Mesa MSA is poor. The percentage of loans made by the bank to low-income borrowers is well below the MSA's demographics for low-income families. However, the percentage of the bank's loans to moderate-income borrowers is only slightly below the demographics of moderate-income families. Even so, the bank's market shares of loans to both LMI persons are lower than its overall market share. NWAZ was able to achieve a market share of upper-income borrowers that exceeds its overall market share.

In the Tucson MSA, the bank's distribution for home improvement loans by income level of borrower is adequate. Although the percentage of its loans to low-income borrowers is lower than for such families, the lending compares favorably for moderate-income borrowers where the percentage of loans equals the percentage of families. Also, the bank's market shares of loans to LMI borrowers exceed its overall share, and by a considerable margin for low-income borrowers.

In Northern Rural Arizona, the bank's distribution for home improvement loans by income level of borrower is good. The percentage of its loans to moderate-income borrowers approximates the percentage of families, although that is not the case for low-income borrowers. Nonetheless, the market shares for both LMI borrowers in Northern Rural Arizona are considerably higher than the overall market share.

Home Refinance Loans: The distribution of NWAZ's home refinance loans by the income level of the borrower in the Phoenix-Mesa MSA is adequate. The percentages of the bank's loans to both LMI borrowers are nominally lower than the MSA's demographics of LMI families. The bank's market share for low-income borrowers is slightly lower than its overall market share, but its market share for moderate-income

borrowers is higher.

The distribution of NWAZ's home refinance loans by the income level of the borrower in the Tucson MSA is adequate. The percentages of its loans to both LMI borrowers are less than the percentage of LMI families. However, the bank's market shares for both LMI borrowers exceed its overall share in this market.

The distribution of NWAZ's home refinance loans by the income level of the borrower in the Northern Rural Arizona Assessment Area is adequate. Although the bank's market shares for both LMI borrowers exceed its overall market share significantly, the percentages of its loans to borrowers in those income categories are considerably lower than the percentages of LMI families.

Small Loans to Businesses

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

In the Phoenix-Mesa MSA and the Tucson MSA, the distribution of NWAZ's loans to businesses of various revenue levels is good. The percentages of the bank's loans to businesses with annual revenues of \$1 million or less are lower than the percentages of such businesses in these markets, but they far exceed the percentages of these loans made by all other lenders in the markets. Furthermore, in these markets the bank's market shares of loans to these smaller businesses are considerably greater than its market shares for all reportable business loans.

In Northern Rural Arizona the distribution of the bank's small business loans is excellent. The bank's percentage of loans to businesses with annual revenues of \$1 million or less is greater than the percentage of such businesses in the market, and far exceeds the percentage of loans to such businesses made by other lenders in the market. In addition, the bank's market share of loans to these businesses is more than twice its overall market share.

Small Loans to Farms

Lending to farms is not a significant line of business for NWAZ. The bank made only two such loans during the evaluation period, and that is insufficient for any meaningful analysis. This information is, nonetheless, displayed in Table 11 in Appendix C for the use of interested readers.

COMMUNITY DEVELOPMENT LENDING

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

NWAZ's excellent community development lending is attributed to its volume of activity and complexity of transactions. During the evaluation period the bank made 40 qualified community development (CD) loans, totaling almost \$52 million in all of its AAs. These loans provide financing for a variety of identified needs, including affordable housing, tribal business development, and health services targeted to LMI people.

Many of the bank's qualified CD loans are complex, given the financing structure or nature of the collateral. To obtain these lending opportunities, the bank partnered with nonprofit providers of housing and health services and local tribal governments.

NWAZ's community development lending in the Phoenix-Mesa MSA provided funds for a variety of affordable housing projects and for health service providers. Both of these are identified needs in the community. The bank's affordable housing lending took several forms. It financed four construction loans for \$20.7 million, three of which involved low-income housing tax credits or the Federal Home Loan Bank Community Investment Program. These loans provided 454 affordable rental housing units. NWAZ also provided funding for four local nonprofit affordable housing builders. These loans and lines required complex sources of repayment for their small size. A funded letter of credit for \$5.9 million provided funding for a retirement center which houses state- and county-referred low-income persons. Three other loans provided funding for a state-supported medical detoxification facility, housing for recovering drug addicts, and housing for learning disabled adolescents and adults.

The bank financed the acquisition of a residential/office building that provides services to the homeless. NWAZ also helped to finance six group homes for low-income disabled persons. These loans required multiple layers of financing. NWAZ also made two loans, exceeding \$500,000, to finance a provider of health services to low-income persons and made three construction loans totaling \$190,000 to build affordable single-family houses.

In the Tucson MSA, NWAZ provided six loans, totaling \$3 million, to address identified community needs. Of these loans, three helped provide health services in South Tucson. The bank made two loans to a nonprofit provider of behavioral health services. The provision of these services is targeted to LMI persons. The provider uses these loans for real estate debt consolidation and short-term working capital.

The bank's third loan funded a nonprofit organization's program to improve health conditions for low-income persons along the Arizona-Mexico border. Two other loans provided funding to nonprofit groups that focus on children's services for low-income families. One of these groups provides shelter and care for children while the other

provides residential and home-based services for developmentally disabled low-income Native American children. The sixth loan financed the development of infrastructure for an affordable mobile home community. The bank's loans are directly responsive to identified needs in the community.

In Northern Rural Arizona, the bank provided more than \$3 million in funding for the renovation and refinancing of 60 affordable single-family residences on a Native American reservation. This involved multiple layers of financing through the tribal government housing authority. In addition, NWAZ provided interim funding for the reservation's housing authority and financed a tribal government's economic revitalization efforts through the development of a museum, library, and visitors center. These loans totaled almost \$9 million. NWAZ also financed the construction of a single-family house, with the assistance of the Department of Housing and Urban Development, on a Native American reservation. In addition, the bank provided two unfunded letters of credit totaling \$1.25 million to a small-business park owned by a tribal government and to a nonprofit affordable housing provider. The bank's community development lending in this AA significantly enhanced its overall lending performance.

Product Innovation and Flexibility

Many of the bank's community development loans and investments demonstrate innovation and flexibility in their structure and execution. As noted, some are quite complex, utilizing various layers of financing and partnering to achieve the desired end.

The bank also has available several products, which provide flexibility in serving needs in its communities. Some of these products may have been notably innovative when developed, but most have been offered for several years and are not considered particularly innovative in the industry now.

Some examples of flexible products offered by NWAZ include:

Community Homeowners Program - This product is designed to assist LMI persons in home acquisition. These loans feature small downpayment requirements, low closing costs, and flexible terms. During the evaluation period, NWAZ reported making 462 loans in excess of \$26 million.

Reduced Rate Mortgage Program - This program originates mortgage loans at below-market rates for LMI first time homebuyers in conjunction with a community organization. In an innovative arrangement, the loans are ultimately sold to that organization to provide income-producing investments there while recycling available

bank funds. During the evaluation period the bank reports 35 loans totaling over \$2 million.

Cash Flow Credit Line/Small Business Advantage - These programs are designed to make relatively small amounts of financing more readily available to small business customers. The credit line is available in amounts up to \$10,000, with minimal documentation required. Small Business Advantage combines both lending and deposit products advantageously for many small businesses. This program enhances the availability of needed credit to LMI borrowers and geographies. During the evaluation period NWAZ reports extending 551 credit lines for over \$22 million.

Residential Mortgage Programs - Norwest Mortgage offers a number of specialized products designed primarily to encourage the acquisition of affordable housing, including programs in association with Fannie Mae, FHA, VA, and HUD. Among these is the HUD 184 Native American program. Norwest Mortgage also participates in a number of downpayment assistance programs in Arizona and in several mortgage bond programs. As a member of the Federal Home Loan Bank of San Francisco, the bank makes available several affordable housing opportunities through that membership. NWAZ also offers a full complement of SBA loan products to help meet small business credit needs.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Lending Test in all areas receiving limited scope review (Flagstaff MSA, Las Vegas MSA, Yuma MSA, Southern Rural Arizona) is not inconsistent with the bank's overall Lending Test performance.

Refer to Tables 1 through 11 in Appendix C for the facts and data that support these conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

NWAZ's performance under the Investment Test is rated High Satisfactory. The bank's performance is good in the Phoenix-Mesa MSA and is adequate in the Tucson MSA and in the Northern Rural Arizona AA.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

NWAZ's investment performance in Arizona is based on its level of investments and the management's active participation and leadership in the statewide community development corporation (CDC). The bank's qualified investments totaled almost \$15 million. The largest investment is \$8 million in privately pooled securities backed by affordable housing mortgages in the Phoenix-Mesa, Tucson, and Yuma MSAs. The bank also invested \$4.6 million in two Fannie Mae Delegated Underwriting and Service (DUS) program bonds, which finance multi-family housing projects in the Flagstaff and Las Vegas MSAs. In addition, the bank is the lead investor for a statewide CDC. This CDC provides financing and technical assistance for LMI housing and small businesses throughout the state. NWAZ's investments in another CDC help fund a small business micro loan fund and provided targeted funding to Native American owned businesses in the Phoenix-Mesa MSA. The bank's investment in a nonprofit affordable housing provider helped fund purchase money second trust deed loans to LMI homebuyers. The bank also has a \$1 million unfunded commitment to the National Equity Fund of the Local Initiatives Support Corporation (LISC) that is not included in the investment tables. These funds will be used to support low-income housing tax credit projects in Arizona.

NWAZ's placement of 74 grants totaling nearly \$1 million comprises the remainder of the investment total. These grants address a variety of community needs including affordable housing, small business financing, welfare-to-work reform, and other services primarily focused on battered women and children, at-risk youth, low-income cancer patients, and the homeless. Thirty-three per cent of the bank's grants support statewide programs.

The bank's performance in the Phoenix-Mesa MSA is reflective of its overall good performance. Its investments totaled almost \$7 million and included 51 grants for approximately \$500,000. These grants included \$141,000 toward affordable housing, \$73,000 for small business development and \$327,000 for social services for LMI persons. The bank's two largest grants supported programs for at-risk youth and accessible cancer treatment of low-income individuals. Some of its other large

investments include an affordable housing mortgage-backed security for \$6 million, investment in a minority-owned credit union loan fund that lends primarily in LMI areas, and contributions to a fund that provides purchase money second trust deed loans to LMI individuals.

In the Tucson MSA the bank's performance is adequate. The banks' investment of \$1.5 million in this MSA supported affordable housing and small business financing needs. Its investments include ownership of affordable housing mortgage-backed securities and grants to a local nonprofit affordable housing provider and small business lender.

NWAZ attained an adequate level of performance in Northern Rural Arizona primarily through its statewide efforts. These have targeted organizations focused on welfare-to-work activities, including education, transportation, childcare, and micro-business financing. The bank also provided funding for pre-purchase and default counseling, capacity building for community-based organizations, and scholarships for Native American students.

Conclusions For Areas Receiving Limited-Scope Reviews

Based on limited scope reviews, the bank's performance under the Investment Test in the Flagstaff and Las Vegas MSAs is not inconsistent with its overall performance under the Investment Test. Although there are no investments specific to Southern Rural Arizona, that AA benefits from the statewide investments made by NWAZ. The bank's lack of direct investment in the Yuma MSA and Southern Rural Arizona AA coupled with each area's limited infrastructure for community development based activities are components of the bank's weaker performance compared to its overall Investment Test rating.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

NWAZ's performance under the Service Test is rated High Satisfactory. Based on full-scope reviews the bank's performance in the Phoenix-Mesa and Tucson MSAs and in Northern Rural Arizona is good.

Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch and ATM delivery system.

NWAZ's delivery systems through its branch and ATM network are accessible to essentially all portions of its AAs. While its percentage of branches and ATMs actually within LMI areas is generally below the population percentages residing in those areas (population demographics), the overall proximity of these branches and ATMs more than compensates. That is, the percentage of its branches and ATMs that are either in, or border (generally across the street), LMI areas exceeds population demographics.

In the Phoenix MSA, the AA providing most of NWAZ's deposits, the bank's branch and ATM distribution is good. The bank has no branch or ATM locations in low-income geographies where only 5% of the population reside. The bank has 16% of its branches and 17% of its ATMs in moderate-income areas, where 26% of the MSA's population resides. However, the bank's percentage of branches that are in close proximity to LMI areas slightly exceeds the respective population demographics and is even higher for its ATMs. These additional branches are located in high traffic areas or concentrations of shopping areas accessible by public transportation.

In the Tucson MSA, the bank's branch and ATM distribution is good. While the bank's distribution in low-income areas is comparable to the population demographics, this measurement declines in moderate-income areas where the bank's proportion of branches and ATMs is about half of the population demographics for branches and two-thirds for ATMs. However, the overall accessibility is good as the percentage of other branches in close proximity to LMI areas essentially matches the population demographics and is even higher for ATMs.

The bank's branch and ATM distribution in Northern Rural Arizona is good. Its percentage of branches and ATMs in low-income areas is below population demographics. A better profile is reflected in moderate-income areas where the bank's branch distribution nearly matches area demographics. Further, the

distribution of the bank's ATMs in moderate-income areas more than double the population demographics. NWAZ is the only bank that maintains a branch presence on the assessment area's Native American reservations. In addition, these branches are primarily managed and staffed by local Native Americans.

NWAZ did not have significant activity opening and closing branches in LMI areas. During the evaluation period, the bank opened nine branches and closed three. All of this activity involved middle- and upper- income geographies within the Phoenix MSA where the majority of the state's population resides.

The bank's business hours are reasonable and are generally structured to accommodate customer needs. There were no major inconsistencies between branches in this regard.

NWAZ offers a wide array of products and services through many of its branch locations. The bank was the first company in the state, and in the country, to offer totally free checking accounts to its customers. NWAZ provides or administers products directed toward LMI individuals that include, but are not limited to, an affordable home loan product, a savings account that features matching federal funds, and direct-deposit accounts for the homeless that feature innovative/flexible services. Its alternative delivery systems include, but are not limited to, telephone banking, bank by mail and on-line banking that are available to all. Although these alternative delivery systems are of potential benefit to persons across all income levels, there is no information available to demonstrate the actual benefits gained by any group of persons, and these services have been considered accordingly in this evaluation.

Community Development Services

NWAZ provides a good level of community development services to its community. During the evaluation period, the bank provided 60 community development services, as well as, numerous hours to its community. These community development services benefited the bank's AAs and included 19 services that had a statewide focus.

The following highlights a few of the community development services targeted to LMI persons that are provided by the bank.

Consumer Credit Counseling Service, SW - the bank partners with this organization to provide financial education to individuals throughout the state, particularly on budgeting matters. Since the program's inception in March 1999, NWAZ has helped provide 12 classes and has had 23 of its employees involved in the program.

Norwest Mortgage Inc. Homebuyer's Club - through this program, the bank's mortgage staff provides homeownership counseling to individuals for up to 2 years.

A primary focus of this counseling is on issues regarding insufficient down payments and credit problems.

City of Phoenix Scattered Sites Program - this program, offered by the City of Phoenix, helps low-income residents eligible for government assisted housing obtain affordable/subsidized rental housing and then home ownership. Participants receive 24 hours of pre-purchase home ownership counseling and education. NWAZ is the exclusive provider of mortgage lending and education training sessions for this program.

Federal Home Loan Bank Affordable Housing Programs - as a member, the bank participates in an affordable housing program which provides subsidies to non-profit organizations to support affordable housing to LMI persons. The bank processes loan applications, monitors its progress, and handles funding efforts for the program, which has involved eight projects.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Service Test in the Flagstaff MSA, Las Vegas MSA, Yuma MSA, and Southern Rural Arizona is not inconsistent with the bank's overall High Satisfactory performance under the Service Test. Although NWAZ has no facilities in the Yuma MSA and Southern Rural Arizona AA LMI tracts, the evaluation indicates that the branches and ATMs in those AAs are providing adequate accessibility to geographies and individuals of different income levels.

Refer to Table 13 of Appendix C for the facts and data that support these conclusions.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation; affiliate activities that were reviewed; and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received a comprehensive examination review (designated by the term "Full-Scope ") and those that received a less comprehensive review (designated by the term "Limited-Scope ").

Time Period Reviewed	Lending Test: January 1, 1997 to December 31, 1998 Community Development Lending: October 18, 1996 to August 2, 1999 Investment Test: October 18, 1996 to August 2, 1999 Service Test: October 18, 1996 to August 2, 1999	
Financial institution		Products reviewed
Norwest Bank Arizona, National Association		Small Business Lending Small Farm Lending Community Development Lending, Investments, Services
Affiliates	Affiliate relationship	Products reviewed
Norwest Mortgage Corporation	Holding company Subsidiary	Home purchase and refinance mortgage loans
Home Improvement, Inc.	Holding company subsidiary	Home improvement loans
Banking subsidiaries of Wells Fargo & Company	Holding company subsidiaries	Various lending products
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Phoenix-Mesa MSA # 6200 Tucson MSA # 8520 Northern Rural Arizona Flagstaff MSA # 2620 Las Vegas MSA # 4120 Yuma MSA # 9360 Southern Rural Arizona	Full-scope Full-scope Full-scope Limited-scope Limited-scope Limited-scope Limited-scope	

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Phoenix-Mesa MSA # 6200.....	29
Tucson MSA # 8520.....	30
Northern Rural Arizona	31

Full-Scope Areas

Phoenix-Mesa MSA # 6200

Demographic Information for Full-Scope Area: Phoenix-Mesa MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	490	6	25	38	30	1
Population by Geography	2,238,480	5	26	40	29	< 1
Owner-Occupied Housing by Geography	539,494	3	21	42	34	< 1
Businesses by Geography	87,286	6	26	36	31	0
Farms by Geography	1,767	4	22	42	32	0
Family Distribution by Income Level	582,829	20	18	23	39	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	222,737	8	38	39	14	0
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$35,425 = \$49,300 = 11.4%	Median Housing Value Unemployment Rate June, 1999		= \$85,627 = 3.1%		

Source: 1990 Census and 1998 HUD updated MFI

The Phoenix-Mesa MSA assessment area encompasses the entire MSA (Maricopa and Pinal Counties). NWAZ generates approximately 71% of its deposits from this AA and has made that same percentage of its reportable loans in the AA during the evaluation period. This AA complies with regulatory guidelines and does not arbitrarily exclude any LMI areas. NWAZ is the third largest commercial bank in the Phoenix-Mesa MSA, ranking behind Bank One, Arizona, NA, and Bank of America, NT&SA. Those banks, combined, have approximately 60% of the deposits in the MSA, while NWAZ has about 11%. NWAZ operates 49 offices and 70 ATMs in the MSA.

Phoenix-Mesa enjoys an economy that has grown steadily and rapidly. Phoenix is the seventh largest U. S. City. The unemployment rate is low. Major industries in the MSA are high-tech manufacturing and tourism. The Pinal County economy is also dependent upon farming, ranching, and mining. The area is also a haven for retirees.

Tucson MSA # 8520

Demographic Information for Full-Scope Area: Tucson MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	115	9	29	35	27	0
Population by Geography	666,880	6	28	35	31	0
Owner-Occupied Housing by Geography	159,467	3	20	39	38	0
Businesses by Geography	24,328	8	28	33	30	0
Farms by Geography	523	5	23	36	36	0
Family Distribution by Income Level	170,709	20	18	22	39	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	65,381	9	39	36	16	0
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$30,985 = \$41,700 = 15.6%	Median Housing Value Unemployment Rate June, 1999		= \$78,704 = 3.1%		

Source: 1990 Census and 1998 HUD updated MFI

The Tucson MSA assessment area encompasses the entire MSA (Pima County). NWAZ generates approximately 13% of its deposits from the AA and has made approximately 11% of its reportable loans in the AA during the evaluation period. This AA complies with regulatory guidelines and does not arbitrarily exclude any LMI areas. NWAZ is the fifth largest commercial bank in the assessment area, ranking behind Bank One, Arizona, NA, Bank of America, NT&SA, Arizona Bank, and Wells Fargo Bank, NA. Those banks, combined, have approximately 70% of the deposits in the MSA, while NWAZ has about 8%. NWAZ operates 16 offices and 21 ATMs in the MSA.

The Tucson economy is stable and dependent upon mining, light manufacturing, and military/defense activity. The unemployment rate remains low even while some jobs have been lost to Mexico. There are Enterprise Zones in both Tucson and South Tucson.

are negotiating enhancements to insure the effective use of the program.

Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the bank include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations**
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations**
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (< \$1 million) to businesses originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (< \$500,000) to farms originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations**
- Table 9. Borrower Distribution of HMDA Refinance Loan Originations**
- Table 10. Borrower Distribution of Small Business Loan Originations** - Compares the percentage distribution of the number of small loans (< \$1 million) originated by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Farm Loan Originations** - Compares the percentage distribution of the number of small loans (< \$500 thousand) originated by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.
- Table 13. Distribution of Branch and ATM Delivery System** - Compares the percentage distribution of the number of the banks retail branches and ATMs in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography.

Appendix C: Tables of Performance Data

Table 1 Lending Volume

LENDING VOLUME												
Evaluation Period: January 1, 1997, to December 31, 1998												
MSA /Assessment Area	% of Total bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farms		Community Development*		Total Reported Loans		% of Total reported Bank Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Scope :												
Phoenix-Mesa MSA	71.4	40,512	4,390,794	1,324	221,122	1	197	20	30,446	41,857	4,642,559	70.9
Tucson MSA	12.8	6,258	571,084	256	34,138	0	0	6	3,055	6,520	608,277	11.0
Northern Rural Arizona	6.5	3,887	335,827	125	10,060	0	0	4	12,075	4,016	357,962	6.8
Limited-Scope :												
Flagstaff MSA	2.5	1,657	177,827	225	24,736	0	0	5	1,113	1,887	203,676	3.2
Las Vegas MSA	2.4	2,392	174,464	42	4,881	0	0	0	0	2,434	179,345	4.1
Yuma MSA	2.1	1,489	102,591	55	6,088	1	40	0	0	1,545	108,719	2.6
Southern Rural Arizona	2.1	741	46,363	64	4,554	0	0	5	5,227	810	56,144	1.4

* Community Development Loans include all CD loans from October 18, 1996 through August 2, 1999.

Table 2 Geographic Distribution of HMDA Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE Evaluation Period: January 1, 1997, to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full-Scope :																
Phoenix-Mesa MSA	3	1	21	13	42	40	34	46	1	9.42	6.05	8.95	8.99	10.12	22,804	74.5
Tucson MSA	3	1	20	9	39	35	38	54	2	6.57	3.90	5.12	7.81	6.38	3,183	10.4
Northern Rural Arizona	13	<1	9	3	45	64	33	33	1	12.19	0.00	7.09	15.35	13.25	1,662	5.43
Limited-Scope :																
Flagstaff MSA	15	6	11	5	41	51	32	38	1	15.33	14.29	16.53	13.75	18.81	649	2.12
Las Vegas MSA	5	1	37	20	56	77	2	2	1	21.02	17.14	19.11	23.65	18.46	1,279	4.18
Yuma MSA	0	NA	28	20	42	40	30	40	1	15.50	NA	18.81	14.00	16.06	832	2.72
Southern Rural Arizona	0	NA	11	7	54	42	36	51	5	6.17	NA	10.34	6.78	6.08	200	0.65

(*) Based on 1997 Aggregate HMDA Data only.

Table 3 Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT Evaluation Period: January 1, 1997, to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full-Scope :																
Phoenix-Mesa MSA	3	2	21	12	42	35	34	51	5	6.88	4.69	5.14	5.94	8.52	1,950	68.40
Tucson MSA	3	2	20	12	39	34	38	52	7	3.17	5.71	2.99	3.48	2.96	307	10.77
Northern Rural Arizona	13	17	9	9	45	52	33	22	3	14.68	78.57	39.39	18.01	13.07	238	8.35
Limited-Scope :																
Flagstaff MSA	15	18	11	11	41	44	32	27	2	13.51	38.46	26.09	11.11	11.69	90	3.16
Las Vegas MSA	5	0	37	26	56	72	2	2	4	9.71	0.00	17.14	11.73	40.00	95	3.33
Yuma MSA	0	NA	28	16	42	39	30	45	2	17.91	NA	8.11	17.58	27.66	92	3.23
Southern Rural MSA	0	NA	11	8	54	39	36	53	4	6.83	NA	5.88	5.17	14.74	79	2.77

(*) Based on 1997 Aggregate HMDA Data only.

Table 4 Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: REFINANCE Evaluation Period: January 1, 1997, to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full-Scope :																
Phoenix-Mesa MSA	3	1	21	8	42	37	34	54	2	7.80	4.92	6.48	7.41	8.54	15,603	66.92
Tucson MSA	3	1	20	9	39	33	38	58	3	6.28	3.62	3.26	6.89	7.05	2,768	11.87
Northern Rural Arizona	13	< 1	9	4	45	59	33	37	1	14.06	0.00	13.16	17.02	15.18	1,986	8.52
Limited-Scope :																
Flagstaff MSA	15	6	11	6	41	51	32	38	1	14.24	35.48	9.73	11.89	18.37	916	3.93
Las Vegas MSA	5	1	37	23	56	74	2	2	2	15.11	10.71	16.44	18.19	25.00	1,017	4.36
Yuma MSA	0	NA	28	18	42	36	30	45	1	13.93	NA	10.71	12.92	17.62	565	2.42
Southern Rural Arizona	0	NA	11	6	54	40	36	54	3	8.24	NA	10.08	6.64	11.73	462	1.98

(*) Based on 1997 Aggregate HMDA Data only.

Table 5 Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS Evaluation Period: January 1, 1997, to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Bus.	% BANK Loans	% of Bus.	% BANK Loans	% of Bus.	% BANK Loans	% of Bus.	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full-Scope :																
Phoenix-Mesa MSA	5	5	26	24	36	28	33	42	8	2.45	1.62	2.50	2.10	2.95	1.324	63.25
Tucson MSA	8	9	27	31	34	30	32	30	9	2.20	2.43	2.61	1.54	2.40	256	12.27
Northern Rural MSA	1	3	2	4	55	53	42	40	7	3.32	3.57	5.66	3.83	2.81	125	5.99
Limited-Scope :																
Flagstaff MSA	< 1	1	19	28	50	72	31	8	4	9.40	6.06	5.88	13.31	2.72	225	10.78
Las Vegas MSA	3	0	35	21	56	76	6	2	9	2.93	0.00	2.14	3.84	0.00	42	2.01
Yuma MSA	< 1	0	30	16	40	49	29	35	9	3.49	0.00	1.98	3.53	5.23	55	2.64
Southern Rural Arizona	< 1	0	13	2	62	52	25	47	7	4.68	0.00	1.61	4.65	5.40	64	3.07

(*) Based on 1997 Aggregate Small Business Data only.

Table 6 Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM Evaluation Period: January 1, 1997, to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full-Scope :																
Phoenix-Mesa MSA	2	0	20	0	43	100	34	0	Nil	0.00	0.00	0.00	Nil	0.00	1	50.00
Tucson MSA	5	0	23	0	35	0	37	0	NA	0.00	0.00	0.00	0.00	0.00	0	0.00
Northern Rural Arizona	1	0	2	0	56	0	41	0	NA	0.00	0.00	0.00	0.00	0.00	0	0.00
Limited-Scope :																
Flagstaff MSA	4	0	21	0	50	0	25	0	NA	0.00	0.00	0.00	0.00	0.00	0	0.00
Las Vegas MSA	1	0	24	0	72	0	3	0	NA	0.00	0.00	0.00	0.00	0.00	0	0.00
Yuma MSA	< 1	0	21	100	55	0	23	0	9	1.96	0.00	7.69	0.00	0.00	1	50.00
Southern Rural Arizona	< 1	0	3	0	63	0	34	0	NA	0.00	0.00	0.00	0.00	0.00	0	0.00

(*) Based on 1997 Aggregate Small Farm Data only.

Table 7 Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HOME PURCHASE Evaluation Period: January 1, 1997, to December 31, 1998																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full-Scope :																
Phoenix-Mesa MSA	20	7	18	21	23	28	38	44	1	9.42	9.92	11.84	13.26	12.90	22,729	74.65
Tucson MSA	21	5	18	19	22	28	39	48	2	6.57	6.28	8.01	7.69	8.79	3,158	10.37
Northern Rural Arizona	24	2	17	12	19	25	40	61	1	12.19	14.05	14.81	14.48	13.41	1,628	5.35
Limited-Scope :																
Flagstaff MSA	23	3	16	10	20	26	41	60	1	15.33	15.73	13.50	15.48	20.02	643	2.11
Las Vegas MSA	26	16	24	28	23	27	26	29	1	21.02	23.58	24.45	24.60	22.36	1,259	4.14
Yuma MSA	20	6	18	26	22	27	40	41	1	15.50	25.81	26.70	17.19	15.42	829	2.72
Southern Rural Arizona	20	4	17	7	19	22	44	68	5	6.17	11.54	4.52	4.52	8.19	200	0.66

(*) As a percentage of loans with borrower income information available.

(**) Based on 1997 Aggregate HMDA Data only.

Table 8 Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT Evaluation Period: January 1, 1997, to December 31, 1998																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full-Scope :																
Phoenix-Mesa MSA	20	6	18	16	23	24	38	54	5	6.88	5.02	5.99	5.67	8.14	1,861	67.94
Tucson MSA	21	8	18	18	22	22	39	52	7	3.17	5.13	3.60	2.66	3.05	300	10.95
Northern Rural Arizona	24	14	17	16	19	15	40	56	3	14.68	30.65	18.32	8.70	14.11	234	8.54
Limited-Scope :																
Flagstaff MSA	23	14	16	15	20	33	41	39	2	13.51	27.78	20.00	20.34	7.59	88	3.21
Las Vegas MSA	26	25	24	25	23	26	26	24	4	9.71	14.29	9.47	11.61	4.81	92	3.36
Yuma MSA	20	3	18	10	22	16	40	70	2	17.91	9.52	10.81	12.28	22.60	88	3.21
Southern Rural Arizona	20	5	17	11	19	25	44	59	4	6.83	3.33	4.35	8.70	7.47	76	2.77

(*) As a percentage of loans with borrower income information available.

(**) Based on 1997 Aggregate HMDA Data only.

Table 9 Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: REFINANCE Evaluation Period: January 1, 1997, to December 31, 1998																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full-Scope :																
Phoenix-Mesa MSA	20	10	18	15	23	23	38	53	2	7.80	7.34	8.61	8.84	10.29	12,547	66.00
Tucson MSA	21	6	18	17	22	27	39	50	3	6.28	6.32	6.84	7.61	7.72	2,147	11.29
Northern Rural Arizona	24	3	17	10	19	23	40	64	1	14.06	14.77	18.03	16.63	16.02	1,782	9.37
Limited-Scope :																
Flagstaff MSA	23	5	16	11	20	23	41	60	1	14.24	16.98	12.44	15.77	17.85	780	4.10
Las Vegas MSA	26	14	24	26	23	27	26	32	2	15.11	15.04	15.33	18.39	17.50	833	4.38
Yuma MSA	20	8	18	12	22	22	40	58	1	13.93	5.66	12.34	12.08	19.91	516	2.71
Southern Rural Arizona	20	1	17	11	19	19	44	69	3	8.24	2.13	8.18	8.55	10.92	407	2.14

(*) As a percentage of loans with borrower income information available. (**) Based on 1997 Aggregate HMDA Data only.

Table 10 Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS Evaluation Period: January 1, 1997, to December 31, 1998											
MSA /Assessment Area	Business with Revenues of \$1 million or less			Loans by Original Amount regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,00 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope :											
Phoenix-Mesa MSA	71	55	32	54	26	20	2.45	4.70	1,324	63	167,011
Tucson MSA	72	56	36	63	23	13	2.20	3.58	256	12	133,352
Northern Rural Arizona	76	77	31	77	16	7	3.32	7.92	125	6	80,480
Limited-Scope :											
Flagstaff MSA	72	53	27	68	17	14	9.40	17.54	225	11	109,938
Las Vegas MSA	79	79	36	76	12	12	2.93	6.04	42	2	116,214
Yuma MSA	72	82	30	49	44	7	3.49	9.63	55	3	110,691
Southern Rural Arizona	74	73	38	73	22	5	4.68	8.36	64	3	71,156

(*) Businesses with revenues of \$1 million or less as a percentage of all businesses.

(**) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No revenue information was available for 4% of small loans to businesses originated and purchased by the bank.

(***) The market consists of all other Small Business reporters in the MSA/AA and is based on 1997 Aggregate Small Business Data only.

(****) Based on 1997 Aggregate Small Business Data only.

Table 11 Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM Evaluation Period: January 1, 1997, to December 31, 1998											
MSA /Assessment Area	Farm with Revenues of \$1 million or less			Loans by Original Amount regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,00 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope :											
Phoenix-Mesa MSA	83	0	38	0	100	0	Nil	0.00	1	50	197,000
Tucson MSA	88	NA	40	0	0	0	NA	NA	0	0	NA
Northern Rural Arizona	86	NA	27	0	0	0	NA	NA	0	0	NA
Limited-Scope :											
Flagstaff MSA	78	NA	60	0	0	0	NA	NA	0	0	NA
Las Vegas MSA	98	NA	100	0	0	0	NA	NA	0	0	NA
Yuma MSA	68	0	16	100	0	0	1.96	0.00	1	50	40,000
Southern Rural Arizona	87	NA	17	0	0	0	NA	NA	0	0	NA

(*) As a percentage of Farms with known revenues.

(**) As a percentage of loans with revenue information available.

(***) The market consists of all other Small Farm reporters in BANK's assessment area and is based on 1997 Aggregate Small Farm Data only.

(****) Based on 1997 Aggregate Small Farm Data only.

Table 12 Qualified Investments

QUALIFIED INVESTMENTS Evaluation Period: October 18, 1996, to August 2, 1999									
MSA /Assessment Area	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full-Scope :									
Phoenix-Mesa MSA	0	0	0	54	7,018	100	54	7,018	47.3
Tucson MSA	0	0	0	4	1,523	100	4	1,523	10.3
Northern Rural Arizona	0	0	0	1	20	100	1	20	0.1
Limited-Scope :									
Flagstaff MSA	0	0	0	3	1,910	100	3	1,910	12.9
Las Vegas MSA	0	0	0	1	2,700	100	1	2,700	18.2
Yuma MSA	0	0	0	2	8	100	2	8	Nil
Southern Rural Arizona	0	0	NA	0	0	NA	0	0	0.0
Statewide:	1	675	40.8	15	979	59.2	16	1,654	11.2

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

Table 13 Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM Evaluation Period: October 18, 1996, to August 2, 1999																		
MSA /Assessment Area	Deposits	Branches						ATMs						Population/CT Percentage				
	% of Total BANK Deposit	# of BANK Branches	% of Total BANK Branches	% Location of Branches by Income of Geographies				# of BANK ATMs	% of Total BANK ATMs	% Location of ATMs by Income of Geographies				% of the Population/CT within Each Geography				
				Low	Mod	Mid	Upper			Low	Mod	Mid	Upper	Low	Mod	Mid	Upper	
Full-Scope :																		
Phoenix MSA	72	49	58	0	16	33	51	70	60	0	17	30	53	5	26	40	29	
Tucson MSA	13	16	19	6	13	31	50	21	18	5	19	33	43	6	28	35	31	
Northern Rural Arizona	7	10	12	10	10	50	30	12	10	8	25	42	25	18	12	41	29	
Limited-Scope:																		
Flagstaff MSA	2	3	4	0	67	33	0	6	5	0	50	50	0	14	23	38	25	
Las Vegas MSA	2	2	2	0	50	50	0	2	2	0	50	50	0	6	36	56	2	
Yuma MSA	2	2	2	0	0	50	50	3	3	0	0	67	33	< 1	34	37	28	
Southern Rural Arizona	2	2	2	0	0	100	0	2	2	0	0	100	0	NA	11	58	31	