

PUBLIC DISCLOSURE

May 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Compass Bank
#06121233

Jacksonville, Florida

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the 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 Community Reinvestment Act (CRA) performance of Compass Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of May 5, 1997. The 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 228.

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Based on a review of the bank's lending record, qualified investments, and services, Compass Bank satisfactorily serves its assessment areas. The bank serves its assessment areas primarily through the origination of real estate and small business loans. The majority of these loans were originated inside the bank's assessment areas. Furthermore, the geographic distribution of loans and the distribution of loans among borrowers of different income levels and businesses of varying sizes are reasonable. The bank has participated in very few qualified investments; however, community contacts said that few investment opportunities exist that would meet the definition of a qualified investment. Compass Bank provides a variety of products and services that meet the needs of individuals and businesses in its assessment areas.

The following table indicates the performance level of Compass Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	COMPASS BANK		
	PERFORMANCE LEVELS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
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.

DESCRIPTION OF INSTITUTION

Compass Bank, headquartered in Jacksonville, Florida, is a wholly owned subsidiary of Compass Bancshares, Inc., Birmingham, Alabama. Compass Bancshares has two other bank subsidiaries: Compass Bank, Birmingham, Alabama, and Compass Bank, Houston, Texas. With total assets of approximately \$1.2 billion as of March 31, 1997, the Florida bank is the smallest of the three subsidiary banks. As of the same date, the Alabama bank had assets of \$6.4 billion and the Texas bank had assets of \$4.6 billion. Compass Bancshares had assets totaling \$12.2 billion. Compass Bank (Florida) divides its operations into four separate assessment areas for the purposes of CRA. The assessment areas are the **Jacksonville Metropolitan Statistical Area (MSA)** (all of Nassau and St. Johns counties, Florida, and parts of Duval and Clay counties, Florida); **Ft. Walton Beach MSA** (all of Okaloosa County, Florida); **Pensacola MSA** (all of Escambia and Santa Rosa counties, Florida); and **Spring Hill** (all of Hernando County, Florida, in the Tampa/St. Petersburg/Clearwater MSA). The four assessment areas contain a total of 278 census tracts. Ten low-income census tracts have no income or family population and were therefore excluded from this analysis. Within these four areas, Compass Bank operates 33 branches.

Compass Bank's total assets of approximately \$1.2 billion represent a \$579 million dollar increase (95.3 percent) since March 31, 1996. The increase in asset size resulted primarily from the acquisition of other financial institutions. In August 1996, Compass Bank acquired Community First Bank, which was headquartered in Jacksonville. Total assets of the bank were \$314 million of which \$212 million were net loans and leases. In addition, in January 1997, Compass Bank acquired First Enterprise National Bank with total assets of \$175 million and net loans and leases totaling \$134 million. No legal or financial impediments exist that would hinder Compass Bank's ability to meet the credit needs of its assessment areas. The bank received a satisfactory CRA rating at its previous evaluation as of February 26, 1996.

The composition of the bank's loan portfolio according to the March 31, 1997 Consolidated Reports of Condition and Income is as follows:

DESCRIPTION OF INSTITUTION (CONTINUED)

Type of Loan	Percent of Total Loans Outstanding
Construction and Development	6.5
1-4 Family Residential Properties	51.3
Nonfarm Nonresidential Properties	8.5
Commercial and Industrial	10.8
Loans to Individuals	17.0
Others ¹	5.9
Total	100.0

The majority (98 percent) of the nonrevolving loans secured by one- to four-family residential properties are secured by first liens. Compass Bank is not a major originator of home improvement loans. The loan portfolio reflects managements lending strategy, which focuses on loans secured by one- to four-family residential properties, consumer-purpose loans, and commercial and industrial loans. The bank has begun to place special emphasis on small business banking and has established a special department that will cater to the needs of small businesses with gross annual revenues of less than \$2.5 million and loan requests of less than \$250,000. This shift is evidenced by a reduction of one- to four-family loans from 68 percent of the portfolio at the last examination and an increase in commercial and industrial loans from 3.6 percent of the portfolio. Loan products offered by Compass Bank, as listed in the public file, include loans to consumers, real estate financing, revolving credit, commercial loans, and Small Business Administration (SBA) loans.

The assessment areas in which Compass Bank operates are saturated with financial institutions. Many of them have asset sizes over \$5 billion. Some of the financial institutions are NationsBank (South), First Union

¹Other loans include loans secured by farmland, loans secured by multifamily (5 or more units) residential properties, loans to depository institutions, loans for purchasing or carrying securities, and all other loans.

National Bank, Barnett Bank, SunTrust Bank (Central Florida and Northwest Florida), SouthTrust Bank, and AmSouth Bank. The market for loans is extremely competitive. According to a community contact, interest rates, terms, closing costs, and down payment requirements are major competitive factors customers use in choosing a bank to serve their loan needs. In addition to financial institutions, an abundance of finance companies, mortgage companies, pawn shops, and insurance companies also compete for loans in Compass Bank's assessment areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

Unless noted otherwise, information on loans reportable under the Home Mortgage Disclosure Act (HMDA) is from 1996 and the first quarter of 1997. Small business loan data represents 1996 only. Compass Bank reported no small farm loans. In addition, all demographic data in this report is based on the 1990 Census unless otherwise stated.

Lending Activity

Lending levels reflect good responsiveness to assessment area credit needs. Compass Bank offers a variety of loan products to meet the credit needs of its assessment areas. Government-related programs include residential mortgage loans insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA), and small business loans guaranteed by the SBA. The bank also offers conventional fixed-rate and adjustable rate residential mortgages, home improvement loans, home equity lines of credit, small business loans, and small farm loans.

From March 31, 1996, to March 31, 1997, Compass Bank's net loans increased by \$473 million. Deposits for the same time period increased by \$464 million. The increase in the loan portfolio occurred primarily in one-to four-family residential (home purchase), commercial and industrial, and personal loans. Compass Bank's average loan-to-deposit (LTD) ratio for the previous seven quarters was 75.6 percent, with a March 31, 1997 LTD ratio of 85.0 percent. Other banks with similar asset sizes had LTD ratios that ranged from 53.6 percent to 106.7 percent. Before the purchase of Community First Bank and First Enterprise National Bank, Compass Bank's LTD ratio for the four quarters ended June 30, 1996, was 69.9 percent. The LTD ratios of First Enterprise National Bank and Community First Bank at the end of the quarters before their acquisitions were 83.4 and 79.7 percent, respectively. The LTD ratio indicates Compass Bank's willingness to meet its assessment areas' credit needs.

Assessment Area Concentration

A large majority of the bank's lending occurs inside the assessment areas. The chart below displays the distribution of Compass Bank's 1,352 HMDA-reportable loans and 314 small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Lending Test (Continued)

Assessment Area Concentration (Continued)

Loan Type	Inside Assessment Areas		Outside Assessment Areas	
	Number	Percentage	Number	Percentage
Conventional Home Purchase	682	85	123	15
FHA/VA Home Purchase	229	95	13	5
Refinance	230	86	36	14
Home Improvement	36	92	3	8
Subtotal (HMDA)	1177	87	175	13
Small Business	282	90	32	10
Total	1459	88	207	12

87 percent of the HMDA-reportable loans versus 83 percent in 1995, and 90 percent of the small business loans are inside the bank's assessment areas. Overall, 88 percent of the bank's reportable lending for CRA is inside the assessment areas. This indicates that meeting the credit needs of its assessment areas is a priority of the bank.

Geographic Distribution of Loans

The geographic distribution of loans by income levels of the census tracts reflects adequate penetration throughout the assessment areas.

The following table shows the geographic distribution of the bank's HMDA-reportable and small business loans. Selected demographic information is included as a basis for comparison.

Census Tract Income Level	Percentage of Total Census Tracts	Percentage of Total Families	Percentage of Owner-Occupied Housing Units	Percentage of Total HMDA Loans	Percentage of Total Small Business Loans
Low	7.1	3.1	2.5	1.0	3.9
Moderate	20.9	16.5	15.1	7.4	18.1
High	53.0	58.2	59.2	56.9	52.5

per	19.0	22.2	23.2	34.7	25.5
al	100.0	100.0	100.0	100.0	100.0

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Lending Test (Continued)

Geographic Distribution of Loans (Continued)

Origination of HMDA loans by Compass Bank in low-income census tracts is low; however, several demographic factors could have contributed to the low level of HMDA lending in these areas. Low-income census tracts contain only 2.5 percent of all owner-occupied housing units. Very little new home construction is occurring in these geographies. A review of housing data for low-income census tracts shows that the majority of the housing units are rental. Also, 19.6 percent of the housing units in low-income census tracts are vacant. Of those vacant units, 19.1 percent are boarded-up. In relation to income characteristics, 42.2 percent of the households in low-income census tracts live below the poverty level and 24.4 percent of the households receive some form of public assistance. According to the 1990 U.S. Census data, the unemployment rate for residents of low-income census tracts was 13.7 percent compared with 5.6 percent for the bank's overall assessment areas. Residents of low-income census tracts contributed only 1.5 percent of the applications in 1996.

HMDA lending in moderate-income census tracts is also considered low. Moderate-income census tracts contain 16.5 percent of the families and 15.1 percent of the owner-occupied housing units in the assessment areas but received only 7.4 percent of HMDA loans. A possible factor for the low lending level in moderate-income tracts could relate to the number of households living below the poverty level (20.1 percent). Additionally, the number of households receiving public assistance in moderate-income census tracts is 1.73 times that of the assessment areas. Moderate-income census tracts also have a high unemployment rate (7.8 percent) when compared to the assessment areas overall and residents contributed only 9.1 percent of the loan applications in 1996. HMDA lending levels in middle- and upper-income census tracts are reasonable.

Compass Bank considers its primary competitors to be NationsBank, Barnett Bank, and First Union National Bank. The following chart depicts the geographic distribution of HMDA-reportable loans for 1996 for Compass Bank and its primary competitors. HMDA data for the first quarter of 1997 was not available. It is important to remember that Compass Bank is a fairly new financial institution in the Florida market. As stated earlier, Compass Bank acquired most of its operations through the purchase of other financial

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institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Lending Test (Continued)

Geographic Distribution of Loans (Continued)

Census Tract Income Level ²	Percentage of HMDA Loans			
	Compass Bank	NationsBank, N.A. (South)	First Union National Bank	Barnett Bank, N.A.
Low	0.9	0.5	2.0	0.9
Moderate	7.5	25.7	12.3	12.4
Middle	56.8	61.2	53.9	58.8
Upper	34.8	12.6	31.8	27.9
Total	100.0	100.0	100.0	100.0
Asset Size	\$1.2 billion	\$80.2 billion	\$39.3 billion	\$39.9 billion

None of the banks performed well in the origination of loans in low-income census tracts. The demographic factors mentioned on the preceding page account for some of the low lending levels in low-income census tracts. As far as lending to persons in moderate-income census tracts, Compass Bank does not compare favorably with its competitors. Possible reasons for low penetration by Compass Bank when compared to its competitors could be customer preference for banks with established records in the Florida market or that only 6 percent of the bank's branches are located in moderate-income tracts. Less favorable loan terms and interest rates may also be factors in the bank's inability to penetrate moderate-income census tracts.

Compass Bank's small business lending levels in low- and moderate-income census tracts are reasonable when compared to the percentages of families living in these geographies. Small business lending in middle- and upper-income census tracts is also reasonable.

²The assessment area was defined according to Compass Bank's lending area. The assessment areas of the other banks were not considered.

Lending by Borrower Characteristics

The table below shows the percentage distribution of HMDA-reportable loans by the income level of the borrowers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Lending Test (Continued)

Lending by Borrower Characteristics (Continued)

Borrower/Family Income Level	Percentage of Families	Loan Type			
		Conv. Home Purchase	FHA/VA Home Purchase	Refinance	Home Improvement
Low	19.7	6.6	5.3	4.4	23.5
Moderate	19.1	15.2	27.5	17.1	23.5
Middle	23.3	17.7	39.7	25.9	11.8
Upper	37.9	60.5	27.5	52.6	41.2
Total	100.0	100.0	100.0	100.0	100.0

Lending to low-income borrowers is considered low for purchase and refinance loans. A factor that could have affected the bank's ability to lend to low-income borrowers is the affordability of homes. Most homes being constructed in the bank's assessment area are too costly for low-income families. Depending on the assessment area, median values of homes range from \$59,011 to \$70,925. Family income must exceed approximately \$22,500 to afford the lowest of the median values of homes in the assessment areas. Special programs that allow higher front- and back-end debt ratios may allow low-income families to purchase homes. Compass Bank has introduced a special loan program that should increase activity in low- and moderate-income areas, but it offers limited flexibility with regard to the front- and back-end ratios. In addition, the program has not been aggressively promoted and is not well-staffed in terms of loan personnel. Another factor that could have contributed to the low level of lending to low-income borrowers is the low level of loan applications received from this income group. Low-income families make up 19.7 percent of total families and contributed 10.7 percent of Compass Bank's HMDA-related loan applications in 1996.

Lending to moderate-income borrowers is reasonable when compared to their representation of total families and considering the unavailability of affordable housing for the lower income level of moderate-income families. Lending to middle- and upper-income borrowers is very reasonable.

The chart below compares Compass Bank to its primary competitors in the origination of HMDA loans in 1996 to borrowers of different income levels. Data for the first quarter of 1997 was not available.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Lending Test (Continued)

Lending by Borrower Characteristics (Continued)

Income Level Borrower	Percentage of HMDA Loans			
	Compass Bank	NationsBank, N.A. (South)	First Union National Bank	Barnett Bank, N.A.
Low	6.6	14.3	10.9	11.7
Moderate	18.8	26.0	21.6	20.9
Middle	23.7	21.7	23.0	24.9
Upper	50.9	38.0	44.5	42.5

Compass Bank's proportion of loans to low-income borrowers is significantly below that of its competitors and its lending to moderate-income borrowers is slightly below its competitors. As stated earlier, reasons for low penetration by Compass Bank when compared to competitors could be customer preference for banks with name recognition in the Florida market. The bank's branch network, lending criteria, and interest rates may also be factors. Compass Bank's special program, Compass Affordable Real Estate (CARE), primarily focuses on the needs of low- and moderate-income borrowers. Under this program, Compass Bank originated 110 loans totaling \$5.6 million in 1996.

Small business lending is a very significant part of Compass Bank's lending strategies. According to management, more emphasis will be placed on this line of business in the future. Compass Bank is satisfactory meeting the credit needs of small businesses. ³

Revenue Size of Business	# of Small Business Loans ⁴	Percentage of Small Business Loans
\$1 million or Less	123	86.6

³A small business is defined as a business with gross annual revenues of \$1 million or less.

⁴A small business loan is a business loan with an original amount of \$1 million or less.

More than \$1 million	19	13.4
Total ⁵	142	100.0

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Lending Test (Continued)

Lending by Borrower Characteristics (Continued)

Another indication as to how well Compass Bank is meeting the needs of small businesses is the size of the loan. The chart below depicts small business loans by loan size.

Small Business Loans				
Loan Amount	Number	Percent by Number	Dollars (\$000)	Percent by \$
\$100,000 or Less	218	77.3	6,975	28.5
100,000 to \$250,000	39	13.8	6,323	25.8
\$250,000 to \$1 Million	25	8.9	11,184	45.7
Total	282	100.0	24,482	100.0

The majority of the small business loans originated are for amounts of \$100,000 or less. Business loans originated in these amounts usually indicate borrowing by small businesses. A review of the small business loan data revealed that several loans were made for amounts less than \$10,000, indicating the bank's willingness to meet the needs of micro-enterprises.

Community Development Lending

Compass Bank has made very few community development loans. Since the previous examination, the bank has originated six community development loans totaling approximately \$743,000. The purpose of the loans included participation in the financing of multifamily housing units for low- and moderate-income families, and operating capital for a battered women's shelter. However, because the bank has such a high LTD ratio (85.0 percent), the low level of community development loans does not adversely affect the bank's rating in this particular category.

⁵Does not include 140 loans for which business revenues were not reported.

Innovative and Flexible Lending Programs

Compass Bank participates in various programs that have innovative or flexible lending criteria. Descriptions of the programs along with Compass Bank's lending results in these programs are provided below.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Lending Test (Continued)

Innovative and Flexible Lending Programs (Continued)

Compass Affordable Real Estate Program (CARE) - CARE is an in-house affordable housing program developed to address the housing credit needs of low- and moderate-income families and geographies. CARE allows a lower down payment than most traditional mortgage loans and waives the requirement for private mortgage insurance. Loans can be financed with as little as a 3 percent down payment. A portion of the down payment can come from gifts, grants, or other loans. Closing costs up to 2 percent can be financed. The program uses flexible guidelines that consider nontraditional credit histories such as the payment of utility bills and rent. The program offers terms for a first mortgage up to 30 years with a minimum mortgage of \$5,000. A second mortgage is offered in amounts between \$5,000 and \$30,000 with terms up to 15 years. In 1996, Compass Bank originated 110 loans totaling \$5.6 million.

The Homebuyers Club - This program is operated by the Jacksonville Housing Partnership (JHP), a local nonprofit organization in Jacksonville. The program is an educational/credit counseling program that provides extensive budget and credit counseling to homebuyers, as well as a six-hour homebuyer education course. Graduates of the program are assured a first mortgage with one of the JHP member banks and down payment assistance through a JHP program with the Duval County Housing Authority. In 1996 and through April 1997, Compass Bank originated 14 loans totaling \$759,330.

Mayor's Home Value Program - This program is also operated by the Jacksonville Housing Partnership. This program is very similar to The Homebuyers Club. Private mortgage insurance fees are waived. No underwriting, processing, or application fees are allowed. This program provides up to 100 percent financing of the home. Down payment assistance is not available through this program. Total debt-to-income ratio may not exceed 40 percent. The program has gross annual income guidelines based on family size. The maximum purchase price is \$106,000 for a new home and \$92,490 for an existing home. In 1996, Compass Bank originated 7 loans totaling \$415,865.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Lending Test (Continued)

Innovative and Flexible Lending Programs (Continued)

Jacksonville Home Rehabilitation Program - Through this program, the city of Jacksonville auctions homes in need of repair. Participants in the program are provided Community Development Block Grants of up to \$20,000 based on income, family size, and debt ratios. Compass Bank originates the loans through its CARE program. Between January 1996 and April 1997, Compass Bank originated 7 loans totaling \$297,500.

Head Start to HOME Ownership Program (H2H) - This program offers financial assistance to income-eligible families/individuals who are interested in purchasing a home but do not have the finances required for down payment, closing costs, or principal reduction. Eligibility for the program is based on total household income. Applicants must have a minimum down payment of \$500, and 20 percent of gross monthly household income must go toward principal, interest, taxes, and insurance. Under this program, Compass Bank originated 2 loans totaling \$96,000.

Escambia County Housing Finance Authority (Single Family Revenue Bonds) - This program targets low- to moderate-income families in Escambia, Okaloosa, Santa Rosa, and Walton counties. Qualification for this program is based on income and family size. Participants in this program are provided a low interest rate mortgage loan. Compass Bank provides the construction financing for loan applicants through this program. Loan data on Compass Bank's participation was not provided.

Investment Test

Investment and Grant Activity

Compass Bank has a low level of qualified investments. Compass Bank's investment portfolio totaled \$213.8 million according to the March 31, 1997 Consolidated Reports of Conditions and Income. The following table depicts investment portfolio composition:

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Investment Test (Continued)

Investment and Grant Activity (Continued)

Investment Type	Amount	Percentage of Investment Portfolio
Mortgage-Backed Securities	\$184.0 million	86.1
Treasury and Agency Securities	\$3.5 million	1.6
Municipal Bonds	\$11.5 million	5.4
Others ⁶	\$14.8 million	6.9
Total	\$213.8 million	100.0

Mortgage-backed, Treasury, and agency securities generally do not qualify for CRA credit because community development is not their primary purpose. A review of the municipal bond portfolio did not reveal any securities that had a purpose of community development to benefit the assessment areas, especially low- and moderate-income areas or individuals. According to management, Compass Bank actively seeks securities for its investment portfolio, but most investments under consideration do not meet the definition of community development and would not be considered qualified investments. According to community contacts, very few municipal or revenue bonds have been issued recently that meet the definition of a qualified investment.

Compass Bank has contributed in-kind donations to various organizations that have a community development purpose. In 1996, \$38,649 of \$67,603 in-kind contributions were to activities or organizations that had a community development purpose. Some of the organizations that received financial support were the United Way, Habitat for Humanity, the Urban League, local chambers of commerce, and the Children's Home Society.

⁶Includes equity and other debt securities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Service Test

Compass Bank operates 33 branches throughout its assessment areas. Of the 33 branches, 20 (60.6 percent) are in the Jacksonville assessment area; five (15.1 percent) are in the Pensacola MSA; six (18.2 percent) are in the Ft. Walton Beach MSA; and two (6.1 percent) are in the Spring Hill assessment area. Most Compass Bank branches were acquired through the purchase of other financial institutions; therefore, current management had little influence on the locations of these branches. The chart below displays the distribution of branches by geographies.

Census Tract Income Level	% of Total Census Tracts ⁷	% of Total Families	% of Branches
Low	7.1	3.1	0.0
Moderate	20.9	16.5	6.1
Middle	53.0	58.2	69.7
Upper	19.0	22.2	24.2
Total	100.0	100.0	100.0

No branches are located in low-income census tracts; however, they contain only 3.1 percent of total families. A review of maps by census tracts depicting branch locations revealed that branches in middle- and upper-income census tracts are accessible to low-income areas. Compass Bank operates only two branches in moderate-income tracts; however, branches in middle- and upper-income census tracts are located near moderate-income census tracts, making retail banking services accessible to moderate-income areas. Most branches are within a reasonable distance of low- and moderate-income areas that contain family population. In addition, other financial institutions have branches located in or near low- and moderate-income census tracts, thereby making retail banking services reasonably accessible to these geographies. Branch distribution among middle- and upper-income census tracts is reasonable.

⁷Excludes census tracts that do not contain any family population.

Alternative Delivery Systems

Compass Bank offers various alternative delivery systems for providing retail banking services to its assessment areas. These systems include automated teller machines (ATMs), telephone banking, and banking services through the use of personal computers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Service Test (Continued)

Alternative Delivery Systems (Continued)

Compass Bank operates 18 ATMs throughout its assessment areas. Twelve ATMs are located in middle-income census tracts; five are in upper-income census tracts; and one off-site ATM is located in a low-income census tract. The low-income census tract in which the off-site ATM is located is primarily a commercial district. Overall, the accessibility of retail banking services for low- and moderate-income areas, which contain approximately 21 percent of the total population, is not enhanced by the locations of the bank's ATMs.

Compass Bank also operates a telephone banking system whereby customers can call a toll-free number to apply for various types of personal loans. Customers can also use this toll-free number to call about checking accounts, savings accounts, or certificates of deposit. In 1996, 14,170 loan applications were taken via this system; however, the percentage of applications taken from low- and moderate-income individuals or areas could not be determined. Compass Bank also operates a toll-free number to link customers to account information. CompassLine is a 24-hour account service that gives the customer information on balances, account status, deposits, loans, and other banking data. Compass Bank also operates computer online banking services. CompassPC allows a customer to pay bills, check current account balances, and transfer funds between accounts. The customer can also download Compass Visa or MasterCard statements and obtain a cash advance. Although data was provided indicating how active these alternative delivery systems have been, the effectiveness of these systems in providing retail banking services to low- and moderate-income areas or individuals could not be determined.

Record of Opening and Closing Branches

Since the previous examination, Compass Bank has opened 13 offices, sold four offices, closed one office, and consolidated two offices. All of the offices opened were a result of the bank's acquisition of other financial institutions. Four branches were sold due to redundancy as a result of the purchase of another financial institution. The closure of a branch had a minimal effect on the accessibility of retail banking service for that geography because Compass Bank operated another facility within a mile of the closed branch. Compass Bank has adopted branch closing procedures that are in compliance with section 42 of the Federal Deposit Insurance Act. Accessibility of retail banking services was increased through the purchase of the additional branches.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Service Test (Continued)

Range of Services by Geographies

The availability and the extent of services by geographies were reviewed. Hours of branch operations during the week are the same for most offices of Compass Bank. However, it was noted that branches adjacent to most low- and moderate-income census tracts are not open for Saturday banking. According to management, these branches are located in primarily commercial districts where businesses are closed on weekends; therefore, it was not reasonable to open those branches on Saturday. The level of branch services offered is the same throughout the assessment areas.

Community Development Services

Compass Bank has offered or supported a significant number of community development services. The chart on the next page lists some of these services.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Service Test (Continued)

Community Development Services (Continued)

Organization	Purpose
Shoreline Housing Initiative Partnership (SHIP) - Jacksonville, Ft. Milton Beach, and Pensacola	Supported by the State of Florida, this program provides down payment assistance to first-time homebuyers whose income is no more than 120 percent of the median income in a particular MSA. At least 60 percent of the program's funds must be used to assist low-income families and individuals. Compass Bank has closed several loans through the use of SHIP funds.
Okaloosa Community Development Committee	Board member - This organization is dedicated to improving the quality of life for all citizens of Okaloosa County. The CDC administers SHIP funds for low- and moderate-income families.
Jacksonville Housing Partnership, Inc.	Board president - JHP is a private, nonprofit organization committed to promoting, developing, or financing affordable housing by creating links between the public and private sectors for projects that create low- to moderate-income housing, benefit disadvantaged areas, rebuild neglected neighborhoods, and enhance community economic and social development. Compass Bank has originated loans through the JHP's various loan programs.
<p> Southeast Florida Properties, Jacksonville, FL George Barnes Realty, Jacksonville, FL Select Realty, Jacksonville, FL Sunrise Builders, Jacksonville, FL Trinity Baptist Church, Jacksonville, FL Northside Church of God in Christ, Jacksonville, FL Mount Moriah A.M.E. Church, Jacksonville, FL Metro Court Apartments, Pensacola, FL City of Pensacola, FL Boy Scout League, Pensacola, FL </p>	Sponsored or participated in credit education or homebuyers seminars.
Children's Home Society, Pensacola, FL	Board member - This organization provides housing, educational, and adoptive services for expectant teens. The society has been a haven for neglected and abandoned children for over 60 years. Most of the children who participate in the program are low-income.
United Way of Okaloosa-Walton Counties	Chairman - The organization's goal is to help meet the needs of people, including low- and moderate-income families, through various programs that address issues such as health, welfare, and hunger.
Economic Development Council of Okaloosa County (EDC)	Board members - The goal of EDC is to market Okaloosa County as a location for new and expanding industries to create jobs and strengthen the economic and tax base of Okaloosa County.
Technical Advisory Council (TAC), Pensacola, FL	Board member - This group is an oversight and direction setting board for the revitalization study project for a

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targeted low-income area of Pensacola.
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CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

Compliance with Antidiscrimination Laws and Regulations

No violations of the substantive provisions of antidiscrimination laws and regulations were identified during the examination. The bank's policies and internal control procedures are adequate to ensure that the evaluation of credit applications is based solely on financial and economic considerations. Compass Bank solicits applications from all segments of its communities, including low- and moderate-income areas.

METROPOLITAN AREAS

(for metropolitan areas with some or all assessment areas reviewed using the examination procedures)

SUMMARY OF INSTITUTION-S OPERATIONS IN JACKSONVILLE, FLORIDA

Jacksonville is the headquarters for Compass Bank in Florida. Most of the operations in the Jacksonville assessment area have been acquired through acquisitions of other financial institutions. Compass Bank operates 20 branches in the Jacksonville assessment area. No branches are located in low-income census tracts; two are in moderate-income census tracts; twelve are in middle-income census tracts; and six are in upper-income census tracts.

DESCRIPTION OF JACKSONVILLE ASSESSMENT AREA (DUVAL, NASSAU, ST. JOHNS, AND CLAY COUNTIES)

The Jacksonville assessment area includes most of the Jacksonville MSA, which consists of 173 census tracts. The assessment area contains 161 census tracts. Of these tracts, 18 (11.2 percent) are low-income; 30 (18.6 percent) are moderate-income; 77 (47.8 percent) are middle-income; and 36 (22.4 percent) are upper-income. Five of the 18 low-income census tracts have no families or households. The total population of the Jacksonville assessment area as of the 1990 Census was 861,149. Of the total population, 42,674 (5.0 percent) reside in low-income census tracts; 148,631 (17.3 percent) reside in moderate-income census tracts; 454,247 (52.7 percent) reside in middle-income census tracts; and 215,597 (25.0 percent) reside in upper-income tracts. Because most residents live in middle- and upper-income census tracts, it is expected that a greater percentage of loans would be originated in middle- and upper-income census tracts. 26.1 percent of the population is below the age of 18 and 11.1 percent of the population is over the age of 65. These age groups are either ineligible to borrow or less likely to borrow.

According to the 1990 Census, the Jacksonville assessment area contained 330,327 households and 233,632 families.⁸ Of the total households, 22.6 percent were low-income; 16.9 percent were moderate-income;

⁸The U.S. Census Bureau defines a household as all persons occupying a housing unit. Families consist of a household and one or more other occupants related to the householder by birth,

20.4 percent were middle-income; and 40.1 percent were upper-income. Of the total families, 19.5

marriage, or adoption. A single person living alone or two or more unrelated individuals living together are not considered to be a family.

DESCRIPTION OF JACKSONVILLE ASSESSMENT AREA (CONTINUED)

percent were considered low-income; 18.2 percent were moderate-income; 23.5 percent were middle-income; and 38.8 percent were upper-income. The difference between total households and total families is probably attributable to adults living alone or unrelated adults sharing a housing unit. A significant portion of low- and moderate-income families (53.3 percent) and households (51.4 percent) lived in middle-income census tracts.

The median family income for the Jacksonville assessment area as of the 1990 Census was \$34,328, which was higher than the state median family income of \$32,212. Families earning less than \$17,138 (50 percent of the MSA median income) are considered low-income; families earning from \$17,139 to \$27,420 are considered moderate-income; families earning from \$27,421 to \$41,130 are considered middle-income; and families earning more than \$41,130 are considered upper-income.

39,069 households and 21,008 families live below the poverty level. Of the households in the assessment area that are reported as living below the poverty level, 42.9 percent are in middle-income census tracts. 41.1 percent of households in low-income census tracts and 20.6 percent of households in moderate-income census tracts live below the poverty level. Data regarding the percentage of families by geographies living below the poverty level was not available; however, it can be assumed that a large percentage of families residing in low- and moderate-income census tracts live below the poverty level. As a result, financial institutions may experience difficulty originating mortgage loans in these geographies.

Housing units in the Jacksonville assessment area totaled 369,857 as of the 1990 Census. 213,837 (57.8 percent) were owner-occupied housing units; 116,933 (31.6 percent) were rental units; and 39,087 (10.6 percent) were vacant units. The following chart depicts housing units by type among the census tracts.

DESCRIPTION OF JACKSONVILLE ASSESSMENT AREA (CONTINUED)

Census Tract Income Level	Total Housing Units	Percentage of Owner-Occupied Units to Total Units	Percentage of Rental Units to Total Units	Percentage of Vacant Units to Total Units
Low	20,979	31.9	46.7	21.4
Moderate	63,270	49.8	39.3	10.9
Middle	193,636	59.5	30.5	10.0
Upper	91,972	65.7	25.3	9.0
Total	369,857	57.8	31.6	10.6

As indicated by the chart above, middle- and upper-income census tracts have the greatest percentages of owner-occupied housing units. As a result, it is expected that the greatest number of HMDA-related loans would be originated in these census tracts. Low- and moderate-income census tracts have high levels of rental and vacant units. Also, 4.5 percent of the housing units in low-income census tracts are boarded-up. Usually a high level of vacant and boarded-up units indicates substandard housing, overpriced housing, or an area in transition. Possible lending opportunities in these areas would be rehabilitation loans. Some opportunities for home improvement loans also exist in low- and moderate-income census tracts. The vacant units in upper-income census tracts are mainly newly constructed single-family residences.

The median age of homes is 39 years in low-income census tracts and 31 years in moderate-income census tracts. In comparison, the median age of homes in middle- and upper-income census tracts is 20 and 25 years, respectively. The age of homes in low- and moderate-income census indicates a possible need for home improvement loans. Considering the median age of homes in middle- and upper-income census tracts and that the majority of the population resides in these tracts, the assumption can be made that most of the new construction of single-family dwellings has occurred in middle- and upper-income census tracts. Additional credit opportunities may be refinance and home improvement loans.

According to the 1990 Census, the median value of homes in the assessment area was \$67,092, which was \$9,395 less than the median value of homes in the state. The median value of homes was highest in upper-income census tracts at \$94,052 and lowest in low-income census tracts at \$29,308. The median value of homes in middle-income census tracts, which contain the majority of the population and owner-occupied housing units, was \$62,383.

DESCRIPTION OF JACKSONVILLE ASSESSMENT AREA (CONTINUED)

The chart below depicts the maximum home purchase price and the maximum monthly mortgage payment that low- and moderate-income families in the assessment area could afford using traditional mortgage underwriting guidelines. Traditional underwriting guidelines include a maximum front-end debt ratio of 28 percent and a maximum back-end ratio of 36 percent. The figures are based on a loan term of 30 years and an interest rate of 8 percent.

Income Level of Borrower	Monthly Income	Mortgage Payment (Front-end Ratio of 28 percent)	Total Debt (Back-end Ratio of 36 percent)	Maximum Loan Amount ⁹ (95 percent loan-to-value)	Purchase Price
Low	\$0 to \$1,430	\$0 to \$325	\$0 to \$515	\$0 to \$44,292	\$0 to \$46,623
Moderate	\$1,431 to \$2,039	\$326 to \$496	\$516 to \$734	\$44,293 to \$67,596	\$46,624 to \$71,154

Based on the above chart, it would be difficult for low-income families to qualify for a home purchase loan under traditional underwriting guidelines, especially in middle-income census tracts, where most low-income families reside and where the median home value is \$62,383. To qualify, low-income families would have to have little or no debt. Most of the homes that low-income families would qualify for are in low- and moderate-income census tracts, where the median home values are \$29,308 and \$42,663, respectively. Moderate-income families are similar to low-income families in that most live in middle-income census tracts. Middle-income census tracts contain homes that are affordable to moderate-income families who earn more than the median income for the moderate-income group. Moderate-income families with lower incomes will probably have to seek housing in low- and moderate-income census tracts. To help low- and moderate-income families qualify for home mortgage loans, innovative programs with flexible underwriting criteria are needed. Such programs include the Fannie Mae 3/2 Program; state programs such as the State Housing Initiative Partnership program, which provides down payment assistance to borrowers; and Compass Bank's CARE program, which focuses specifically on the mortgage needs of low- and moderate-

⁹\$75 was deducted from the mortgage payment amount for taxes, hazard insurance, and private mortgage insurance to calculate the maximum loan amount.

income borrowers. However, the issue of providing affordable single-family housing for low-income families and possibly moderate-income families is an issue that cannot be addressed by financial institutions independently.

DESCRIPTION OF JACKSONVILLE ASSESSMENT AREA (CONTINUED)

The median gross rent for the assessment area was \$439 compared to a state median of \$481. Over 36.6 percent of total households are paying greater than 30 percent of their income in rent. Most of the households are located in middle-income census tracts, where the median gross rent is \$447. For most low-income families who reside in low-income census tracts, the median gross rent is more than most banks would allow for monthly mortgage payments. A large percentage of households in low- and moderate-income census tracts pay rent that is greater than 30 percent of their incomes. The median gross rents for these areas are \$273 and \$395, respectively. In addition, 22.7 percent of the households in low-income census tracts and 11.1 percent of the households in moderate-income census tracts receive public assistance income. Without this assistance, most households would not be able to afford the necessities of life such as housing, food, and clothing.

According to employment information from the U.S. Bureau of Labor Statistics, the Jacksonville labor force ¹⁰ in 1995 was 502,782 persons compared to a labor force of 475,205 persons in 1992. The number of unemployed persons decreased significantly from 31,921 persons in 1992 to 18,643 persons in 1995. The unemployment rate in the Jacksonville MSA has exhibited a downward trend since 1994. As of March 1997, the unemployment rate for the Jacksonville MSA was 3.6 percent compared with 3.3 percent as of March 1996, 3.7 percent as of March 1995, and 5.1 percent as of March 1994. The decrease in the unemployment rate indicates that the economy is growing and healthy. This downward trend is reflective of what is occurring in the state of Florida, where the unemployment rate for the same time periods has been steadily decreasing. Florida's unemployment rate as of March was 4.5 percent in 1997, 4.7 percent in 1996, 5.0 percent in 1995, and 6.4 percent in 1994.

¹⁰The labor force is defined as the sum of employed and unemployed persons in the MSA.

County business patterns information from the U.S. Census Bureau shows 24,485 business establishments ¹¹ in the Jacksonville MSA as of 1993. Of the total business establishments, 23,199 (94.8 percent) employed fewer than 50 persons. The three major types of industries in the Jacksonville MSA are retail trade, which accounts for 6,157 establishments (26.5 percent); services and others, which account for 9,180

¹¹An establishment is an economic unit at a single location engaged in a single activity that produces goods and services. Establishment counts represent the number of locations determined to be active during the year. When two or more activities are carried on at a single location under a single ownership, all activities are generally grouped together as a single establishment.

DESCRIPTION OF JACKSONVILLE ASSESSMENT AREA (CONTINUED)

establishments (37.5 percent); and finance, insurance, and real estate establishments, which account for 2,488 establishments (10.2 percent). Traditionally, retail trade and service industries, which make up 64.0 percent of the total establishments, do not provide high paying jobs.

The construction of single-family residences increased from 1995 to 1996. According to the U.S. Census Bureau, 7,551 permits for the construction of single-family residences were issued in 1996 compared with 6,659 permits in 1995. The increase in construction of single-family residences could be attributed to a healthy economy, a low unemployment rate, special program financing, and low interest rates. Since 1992, the construction of multifamily dwellings has increased significantly from 478 permits in 1992 to 3,746 permits in 1996. This significant increase could be attributed to the recognition that a home in this market may be unaffordable, especially for low-income families, and therefore, alternative means have been sought to provide affordable housing through the construction of multifamily dwellings.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN JACKSONVILLE ASSESSMENT AREA

Compass Bank's performance under the lending, investment, and service tests of CRA in the Jacksonville assessment area is reasonable and supports the institution's overall rating of satisfactory.

Lending Test

The following table shows the geographic distribution of the 698 HMDA-related and 216 small business loans that Compass Bank made inside the Jacksonville assessment area. Selected demographic information is included.

Census Tract Income Level	Percentage of Total Tracts ¹²	Percentage of Total Families	Percentage of Owner-Occupied Units	Percentage of Loans	
				HMDA	Small Business
Low	8.3	3.9	3.1	.7	4.2
Moderate	19.2	16.4	14.7	6.6	17.6

¹²Excludes five census tracts that contained no households or families.

Idle	49.4	53.3	53.9	51.1	46.7
per	23.1	26.4	28.3	41.6	31.5
al	100.0	100.0	100.0	100.0	100.0

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN JACKSONVILLE ASSESSMENT AREA (CONTINUED)

Lending Test (Continued)

As the table above indicates, the percentage of HMDA-related loans to borrowers residing in low-income census tracts is low; however, various demographic characteristics could explain the low lending levels in low-income census tracts. Only 3.1 percent of owner-occupied housing units are located in low-income census tracts. In addition, 41.1 percent of the households in low-income census tracts live below the poverty level, and 22.7 percent of them receive some form of public assistance. Also, the percentage of applications received from low-income census tracts is very low. In 1996, low-income census tracts contributed only 1.4 percent of HMDA applications. Finally, very little new home construction is occurring in low-income census tracts.

HMDA-related lending levels in moderate-income census tracts are also low. Some factors that could have affected lending in moderate-income census tracts are a high poverty rate among households (20.6 percent), a high level of households receiving public assistance (11.1 percent), and a low level of HMDA application activity. In 1996, moderate-income census tracts contributed only 8.6 percent of HMDA-related applications.

HMDA-related lending levels in middle- and upper-income census tracts are reasonable. Most of the new construction is occurring in these census tracts. In addition, the majority of the population lives in these census tracts.

As far as small business lending, the bank performed reasonably well in the distribution of small business loans in all geographies.

The table below shows the distribution of the bank's HMDA-reportable loans by borrower income level.

Borrower/Family Income Level	Percentage of Total Families	Percentage of Total Loans			
		Conventional Purchase	FHA/VA Purchase	Refinance	Home Improvement
Low	19.5	4.7	5.9	4.1	25.0
Moderate	18.2	17.9	30.2	18.0	5.0

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Idle	23.5	20.5	39.1	28.7	15.0
per	38.8	56.9	24.8	49.2	55.0
al	100.0	100.0	100.0	100.0	100.0

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN JACKSONVILLE ASSESSMENT AREA
(CONTINUED)**

Lending Test (Continued)

The bank has a good record of lending to borrowers of different income levels except for purchase and refinance low-income borrowers. Overall, in 1996, low-income individuals contributed only 9.7 percent of the HMDA applications. This Reserve Bank found no evidence of fair lending violations during its fair lending examination. One possible reason for the low level of lending could be the number of families below the poverty level. 9.0 percent of total families and an even higher percentage of the low-income families live below the poverty level. Low-income families are classified as those families earning less than \$17,138 annually. Also, the lack of affordable housing in the market has been a major factor in the small number of loans originated to low-income borrowers. Through Compass Bank's CARE program, which was designed to meet the mortgage needs of low- and moderate-income borrowers, 85 loans totaling \$4,726,561 were originated in the Jacksonville area in 1996.

Small business lending is a very significant part of Compass Bank's lending strategies. According to management, more emphasis will be placed on this segment of the market in the future. The chart below indicates how well Compass Bank is meeting the needs of small businesses.¹³

Revenue Size of Business	# of Small Business Loans ¹⁴	Percentage of Small Business Loans
\$1 million or Less	71	85.5
More than \$1 million	12	15.5
Total ¹⁵	83	100.0

Over 85 percent of the business loans for which gross revenues were reported were to small businesses. This is a definite indication of the bank's willingness to meet the credit needs of all businesses, especially small

¹³A small business is defined as a business with gross annual revenues of \$1 million or less.

¹⁴A small business loan is a business loan with an original amount of \$1 million or less.

¹⁵Does not include 133 loans for which business revenues were not reported.

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businesses.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN JACKSONVILLE ASSESSMENT AREA
(CONTINUED)**

Lending Test (Continued)

The following chart depicts, by loan size, the number and dollar volume of small business loans in 1996.

Business Loan Originations by Loan Size				
Loan Amount	Number	Percent by Number	Dollars (\$000)	Percent by \$
\$100,000 or Less	68	82.0	2,206	36.0
\$100,000 - \$250,000	8	10.0	1,244	20.0
\$250,000 to \$1 Million	7	8.0	2,675	44.0
Total	83	100.0	6,125	100.0

Most of the loans originated were in amounts of \$100,000 or less, and the average origination amount of those loans was approximately \$32,400. A review of loan data revealed numerous loans in amounts less than \$10,000, indicating the bank's willingness to meet the credit needs of very small businesses.

Investment Test

Compass Bank's record of helping to meet the credit needs of its assessment area through qualified investments that benefit the assessment area is adequate. Because there are very few opportunities available for qualified investments in the Jacksonville assessment area, the bank provided financial contributions to various organizations. In 1996, Compass Bank gave \$37,439 to worthy causes; \$22,049 (58.9 percent) was related to community development. The most significant contributions were made to the United Way, the Salvation Army, and local chambers of commerce.

Service Test

The bank's branches in the Jacksonville assessment area are adequately accessible to most portions of the assessment area. Compass Bank operates 20 branches and 18 ATMs in the assessment area. It is important to note that the majority of Compass Bank branches in the Jacksonville assessment area were acquired through the purchase of other financial institutions. Compass Bank had no input on the location of these branches. Even though Compass Bank operates no branches in low-income census tracts and only two

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN JACKSONVILLE ASSESSMENT AREA (CONTINUED)

Service Test (Continued)

branches in moderate-income census tracts, retail banking services are provided to these areas by branches of other financial institutions. Alternative delivery systems are available to the Jacksonville assessment area; however, the effectiveness of the systems in providing retail services to low- and moderate-income areas could not be determined.

Since the previous examination, Compass Bank has opened eleven branches in the Jacksonville assessment area, closed one branch, sold four branches, and consolidated two branches into other locations. Overall, the level of banking services provided to the bank's assessment area was enhanced. Branch services do not vary in a way that inconveniences portions of the assessment area. Five branches are not open on Saturday. Three of these branches are located next to low- and moderate-income census tracts, and one is located in a moderate-income census tract. A review of the census tracts where these branches are located indicates significant population in these tracts. According to management, these branches are not open on Saturday because of low loan activity or because they are located in a commercial district where businesses are usually closed for the weekend. Compass Bank provides an adequate level of community development services in the Jacksonville assessment area. Information on some of these services is on page 18.

SUMMARY OF INSTITUTION'S OPERATIONS IN PENSACOLA, FLORIDA

Compass Bank operates five branches and six ATMs in the Pensacola assessment area. Four branches are in middle-income census tracts, and one is in an upper-income tract.

DESCRIPTION OF PENSACOLA ASSESSMENT AREA (ESCAMBIA AND SANTA ROSA COUNTIES)

The Pensacola MSA constitutes the bank's assessment area. The MSA is made up of 67 census tracts in Escambia and Santa Rosa counties. Of these tracts, 11 (16.4 percent) are low-income; 12 (17.9 percent) are moderate-income; 34 (50.8 percent) are middle-income; and 10 (14.9 percent) are upper-income. Four of the 11 low-income census tracts have no families or households. One low-income census tract has fewer than 50 households and no families. The total population of the Pensacola MSA as of the 1990 Census was 344,406. Of the total population, 14,857 (4.3 percent) reside in low-income census tracts; 42,239 (12.3

DESCRIPTION OF PENSACOLA ASSESSMENT AREA (CONTINUED)

percent) reside in moderate-income census tracts; 215,876 (62.7 percent) reside in middle-income census tracts; and 71,434 (20.7 percent) reside in upper-income census tracts. Because most residents live in middle- and upper-income census tracts, it is expected that the greater percentage of loans would be originated in middle- and upper-income census tracts. 25.7 percent of the population is under the age of 18 and 11.4 percent of the population is over the age of 65. Individuals in these age groups are not as likely to be in the market for loans.

According to the 1990 Census, the Pensacola MSA contained 128,776 households and 94,100 families. Of the total households, 23.8 percent were low-income; 15.9 percent were moderate-income; 19.5 percent were middle-income; and 40.8 percent were upper-income. Of the total families, 20.5 percent were low-income; 18.1 percent were moderate-income; 21.9 percent were middle-income; and 39.5 percent were upper-income. The difference between total households and families would indicate a large number of adults living alone or unrelated adults sharing a housing unit. A significant portion of low- and moderate-income families (62.9 percent) and households (60.3 percent) lived in middle-income census tracts.

The median family income for the Pensacola MSA as of the 1990 Census was \$29,922, which was lower than the state median family income of \$32,212. Families earning less than \$14,961 are considered low-income; families earning from \$14,962 to \$23,937 are considered moderate-income; families earning from \$23,937 to \$35,906 are considered middle-income; and families earning more than \$35,906 are considered upper-income.

19,974 households and 12,123 families live below the poverty level. Of the total households in the assessment area living below the poverty level, 56.5 percent are in middle-income census tracts. 45.7 percent of households in low-income census tracts and 27.3 percent of households in moderate-income census tracts live below the poverty level. Data regarding the percentage of families by geographies living below the poverty level was not available. However, it can be assumed that a large percentage of families residing in low- and moderate-income census tracts live below the poverty level. As a result, financial institutions may experience difficulty originating mortgage loans in these geographies.

DESCRIPTION OF PENSACOLA ASSESSMENT AREA (CONTINUED)

Housing units in the Pensacola MSA totaled 145,061 as of the 1990 Census. 86,356 (59.5 percent) were owner-occupied units; 42,152 (29.1 percent) were rental units; and 16,553 (11.4 percent) were vacant units.

The following chart depicts housing units by type within each income category.

Census Tract Income Level	Total Housing Units	Percentage of Owner-Occupied Units to Total Units	Percentage of Rental Units to Total Units	Percentage of Vacant Units to Total Units
Low	6,165	42.7	43.6	13.7
Moderate	17,605	51.7	34.8	13.5
Middle	87,609	62.8	28.4	8.8
Upper	33,682	58.3	25.1	16.6
Total	145,601	59.5	29.1	11.4

As indicated by the chart above, middle- and upper-income census tracts have the greatest percentages of owner-occupied housing units. As a result, it is expected that the greatest number of HMDA loans would be originated in these census tracts. Fewer opportunities for mortgage originations in low-income census tracts exist because of the high percentage of rental units. In addition, low- and moderate-income census tracts have high levels of vacant units. Usually a high level of vacant units indicates substandard housing, overpriced housing, or an area in transition. Possible lending opportunities in these areas would be for rehabilitation or home improvement loans. The high level of vacant units in upper-income census tracts is probably due to new construction of single-family residences.

The median age of homes is 44 years in low-income census tracts and 45 years in moderate-income census tracts. In comparison, the median age of homes in middle-income census tracts is 21 years and the median age of homes in upper-income census tracts is 24 years. The age of homes in low- and moderate-income census tracts indicates a possible need for home improvement loans. Considering the median age of housing at 21 and 24 years in middle- and upper-income census tracts and that the majority of the population resides in these tracts, the assumption can be made that most of the new construction of single-family dwellings has occurred in middle- and upper-income census tracts. Given the median age of homes, another possible credit need in middle- and upper-income census tracts would be for refinancings.

DESCRIPTION OF PENSACOLA ASSESSMENT AREA (CONTINUED)

According to the 1990 Census, the median value of homes in the assessment area was \$59,011, which was \$17,476 less than the median value of homes in the state. The median value of homes was highest in upper-income tracts at \$80,833 and lowest in low-income census tracts at \$31,154. The median value of homes in middle-income census tracts, which contain the majority of the population and owner-occupied housing units, was \$57,052.

The chart below depicts the maximum home purchase price and the maximum monthly mortgage payment that low- and moderate-income families could afford using traditional mortgage underwriting guidelines. Traditional underwriting guidelines include a maximum front-end debt ratio of 28 percent and a maximum back-end ratio of 36 percent. The figures are based on a 30-year loan term and an interest rate of 8 percent.

Income Level of Borrower	Monthly Income	Mortgage Payment (Front-end ratio of 28 percent)	Total Debt (Back-end ratio of 36 percent)	Maximum Loan Amount ¹⁶ (95 percent loan-to-value)	Purchase Price
Low	\$0 to \$1,247	\$0 to \$274	\$0 to \$448	\$0 to \$37,341	\$0 to \$39,306
Moderate	\$1,248 to \$1,995	\$275 to \$484	\$449 to \$718	\$37,342 to \$65,961	\$39,307 to \$69,432

Based on the above chart, it would be difficult for low-income families to qualify for a home purchase loan using traditional underwriting guidelines, especially in middle-income census tracts, where most low-income families reside and where the median home value is \$57,052. Most of the homes that low-income families would qualify for under traditional underwriting guidelines are in low- and moderate-income census tracts, where the median home values are \$31,154 and \$36,067. Moderate-income families are similar to low-income families in that most live in middle-income census tracts. Middle-income census tracts contain homes that are affordable to moderate-income families in the middle and upper ranges of the moderate-income group. Families in the low range of the moderate-income group will probably have to seek housing in low- and moderate-income census tracts. To assist low- and moderate-

¹⁶\$75 was deducted from the mortgage payment amount for taxes, hazard insurance, and private mortgage insurance to calculate the maximum loan amount.

income families in qualifying for home

DESCRIPTION OF PENSACOLA ASSESSMENT AREA (CONTINUED)

mortgage loans, banks will have to seek innovative programs with flexible lending criteria, such as the Fannie Mae 3/2 Program; state programs such as the State Housing Initiative Partnership program; and Compass Bank's CARE program, which focuses specifically on the mortgage needs of low- and moderate-income borrowers. However, the issue of providing affordable single-family housing for low-income families and possibly moderate-income families is an issue that cannot be addressed by financial institutions independently.

The median gross rent for the assessment area was \$384 compared to a state median of \$481. Over 36.9 percent of total households are paying greater than 30 percent of their incomes in rent. Most of the households are located in middle-income census tracts, where the median gross rent is \$387. For most low-income households in low-income census tracts, the median gross rent is more than financial institutions would allow for monthly mortgage payments using traditional lending criteria. Many moderate-income families who live in middle-income census tracts are also paying rent in excess of what would be approved for mortgage payments under traditional lending standards. A large percentage of households in low- and moderate-income census tracts pay rent that is greater than 30 percent of their incomes. The median gross rents for these areas are \$252 and \$326, respectively. In addition, 29.6 percent of the households in low-income census tracts and 16.4 percent of the households in moderate-income census tracts receive public assistance income. Without this assistance, many would not be able to afford the necessities of life such as housing, food, and clothing.

According to the U.S. Census Bureau, 3,394 permits for the construction of single-family residences were issued in 1996 compared with 2,402 permits in 1995. The increase in construction of homes could be attributed to a stable economy, low inflation, low unemployment rates, low interest rates, and various housing programs that assist borrowers in becoming homeowners. Since 1992, the construction of multifamily dwellings has increased significantly from 87 permits in 1992 to 552 permits in 1995 and 1,172 permits in 1996.

DESCRIPTION OF PENSACOLA ASSESSMENT AREA (CONTINUED)

According to employment information from the U.S. Bureau of Labor Statistics, the labor force in 1995 was 166,660 persons compared with a labor force of 162,778 persons in 1992. The number of unemployed persons decreased significantly from 9,552 persons in 1992 to 7,026 persons in 1995. This represents a 26.4 percent decrease in the number of unemployed persons. The unemployment rate in the Pensacola MSA has exhibited a downward trend since 1994. As of March 1997, the unemployment rate for the Pensacola MSA was 3.9 percent compared with 3.9 percent as of March 1996, 3.8 percent as of March 1995, and 4.6 percent as of March 1994. Florida's unemployment rate as of March was 4.5 percent in 1997, 4.7 percent in 1996, 5.0 percent in 1995, and 6.4 percent in 1994.

County business patterns information from the U.S. Census Bureau shows 7,947 business establishments in the Pensacola MSA as of 1993. Of the total business establishments, 7,598 (95.6 percent) employed fewer than 50 persons. The three major types of industries by number of establishments in the Pensacola MSA are retail trade, which accounts for 2,180 establishments (27.4 percent); services and others, which account for 2,912 establishments (36.6 percent); and construction, which accounts for 813 establishments (10.2 percent).

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PENSACOLA ASSESSMENT AREA

Compass Bank's performance under the lending, investment, and service tests of CRA in the Pensacola assessment area is reasonable and supports the institution's overall rating of satisfactory.

Lending Test

The geographic distribution of loans by income level of the census tracts reflects adequate penetration throughout the assessment area. The following table shows the geographic distribution of the 295 HMDA-reportable and 35 small business loans that Compass Bank made inside the Pensacola assessment area. Selected demographic information is included.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN
 PENSACOLA ASSESSMENT AREA
 (CONTINUED)

Lending Test (Continued)

Census Tract Income Level	Percentage of Total Tracts ¹⁷	Percentage of Total Families	Percentage of Owner-Occupied Housing Units	Percentage of Loans	
				HMDA	Small Business
Low	9.7	3.5	3.0	2.4	5.7
Moderate	19.4	11.4	10.5	5.4	5.7
Middle	54.8	63.4	63.7	58.3	85.7
Upper	16.1	21.7	22.8	33.9	2.9
Total	100.0	100.0	100.0	100.0	100.0

As the table above indicates, the percentage of HMDA-related loans originated to borrowers residing in low-income census tracts is low; however, considering various demographic characteristics, lending in low-income census tracts is considered adequate. Only 3.0 percent of owner-occupied housing units are located in low-income census tracts. In addition, 45.7 percent of the households in low-income tracts live below the poverty level and 29.6 percent of the households receive some form of public assistance. Also, the percentage of applications received from low-income census tracts is very low. In 1996, resident of low-income census tracts submitted only 2.9 percent of HMDA applications. Finally, little construction of homes has occurred in low-income census tracts.

The percentage of HMDA loans in moderate-income census tracts is also low. Some of the same factors that affected HMDA-related lending in low-income tracts probably contributed to the low activity level in moderate-income census tracts.

HMDA-related lending levels in middle- and upper-income census tracts are reasonable. Most of the new construction is occurring in middle- and upper-income census tracts. In addition, the majority of the population lives in these census tracts.

¹⁷Excludes five census tracts that contained few or no households or families.

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As far as small business lending, the bank performed reasonably well in the distribution of small business loans in all geographies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN
PENSACOLA ASSESSMENT AREA
(CONTINUED)

Lending Test (Continued)

The table below shows the distribution of the bank's HMDA-related loans by borrower income level.

Borrower/Family Income Level	Percentage of Total Families	Percentage of Total Loans			
		Conventional Purchase	FHA/VA Purchase	Refinance	Home Improvement
Low	20.5	10.0	2.4	5.3	20.0
Moderate	18.1	11.1	14.6	7.0	60.0
Middle	21.9	15.3	39.0	24.6	0.0
Upper	39.5	63.6	44.0	63.1	20.0
Total	100.0	100.0	100.0	100.0	100.0

HMDA-related lending levels to low-income borrowers is low in all categories except for home improvement loans when compared with the percentage of families classified as low-income. Reasons for low loan penetration with regard to home purchase and refinancing loans could be the lack of affordable housing in the assessment area and a high poverty rate of 12.9 percent. Also, according to the fair lending analysis conducted by this Reserve Bank, many low-income applicants had credit history problems that prevented them from qualifying for mortgage loans. Additionally, the Pensacola MSA contains a number of other financial institutions and is a very competitive market.

Except for home improvement loans, HMDA lending levels to moderate-income borrowers are also low when compared with the percentage of families in the moderate-income group. Reasons for low origination percentages could be low loan application activity, competition from other financial institutions, insufficient borrower income, poor credit histories, or marketing. Compass Bank has an in-house mortgage program specifically designed to meet the credit needs of low- and moderate-income families. Compass Bank designated a CRA loan originator to promote this program. Under this program, Compass Bank originated 25 loans totaling \$905,995 in the Pensacola area in 1996. Lending levels to middle- and upper-income borrowers are reasonable.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN
PENSACOLA ASSESSMENT AREA
(CONTINUED)

Lending Test (Continued)

Small business lending is a very significant part of Compass Bank's lending strategy. According to management, more emphasis will be placed on this segment of the market in the future. The chart below indicates how well Compass Bank is meeting the needs of small businesses.

Revenue Size of Business	# of Small Business Loans	Percentage of Small Business Loans
\$1 million or Less	31	91.2
More than \$1 million	3	8.8
Total ¹⁸	34	100.0

Over 91 percent of the business loans for which gross revenues were reported were to small businesses. This is a definite indication of the bank's willingness to meet the credit needs of all businesses, especially small businesses.

The following chart depicts, by loan size, the number and dollar volume of small business loans in 1996.

Business Loan Originations by Loan Size				
Loan Amount	Number	Percent by Number	Dollars (\$000)	Percent by \$
\$100,000 or Less	31	91.0	432	57.0
\$100,000 - \$250,000	3	9.0	330	43.0
\$250,000 to \$1 Million	0	0.0	0	0.0
Total	34	100.0	762	100.0

Most of the loans originated were in amounts less than \$100,000, and the average origination amount of those loans was approximately \$13,900. A review of loan data revealed numerous loans in amounts less than \$10,000, indicating the bank's willingness to meet the credit needs of very small businesses.

¹⁸Does not include one loan for which business revenues were not reported.

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CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN
PENSACOLA ASSESSMENT AREA
(CONTINUED)

Investment Test

Compass Bank's record of helping to meet the credit needs of its assessment area through qualified investments is adequate. Because opportunities for qualified investments in the Pensacola MSA were few, the bank made contributions to various organizations throughout its assessment area. In 1996, Compass Bank gave \$13,650 to worthy causes; \$10,350 (75.8 percent) was related to community development. The most significant contributions were made to the United Way, the Salvation Army, and local chambers of commerce.

Service Test

The bank's branches in the Pensacola MSA are reasonably accessible to most portions of the assessment area. Compass Bank operates five branches and six ATMs in its assessment area. Four branches are in middle-income census tracts, and one branch is in an upper-income census tract. One ATM is located in a low-income commercial district. It is important to note that all of Compass Bank's branches in the Pensacola MSA were acquired through the purchase of another financial institution. Although Compass Bank has no branches in low- and moderate-income census tracts, other financial institutions operate branches in these geographies; therefore, retail banking services are available to all residents. Alternative delivery systems are available in the Pensacola MSA; however, the effectiveness of the systems in providing retail services to low- and moderate-income areas could not be determined.

Compass Bank has not opened or closed any branches in the Pensacola MSA since the previous examination. Three of the five branches offer Saturday banking. According to management, the two branches that do not offer Saturday banking are located in commercial districts where businesses are closed during the weekend. Compass Bank provides an adequate level of community development services in the Pensacola MSA. Information on some of these services is on page 18.

METROPOLITAN AREAS

(for each metropolitan area where no assessment areas were reviewed using the examination procedures)

SUMMARY OF INSTITUTION'S OPERATIONS IN FT. WALTON BEACH, FLORIDA

The bank has six branches and three ATMs in the Ft. Walton Beach area. Five branches and all three ATMs are located in middle-income census tracts, and one branch is located in an upper-income tract.

DESCRIPTION OF FT. WALTON BEACH ASSESSMENT AREA (OKALOOSA COUNTY)

The Ft. Walton Beach assessment area consists of the 33 census tracts that make up Okaloosa County, which in turn constitutes the Ft. Walton Beach MSA. No census tracts are low-income; 8 (24 percent) are moderate-income; 20 (61 percent) are middle-income; and 5 (15 percent) are upper-income. The total population as of the 1990 Census was 143,776. 21.0 percent of total residents live in moderate-income census tracts; 63.1 percent live in middle-income census tracts; and 15.9 percent live in upper-income census tracts. According to the 1990 Census, the median family income was \$31,663. Of the 39,885 families in the assessment area, 16.5 percent are low-income, 20.9 percent are moderate-income, 23.8 percent are middle-income, and 38.8 percent are upper-income. 7.8 percent of total families live below the poverty level.

The 1990 Census showed that housing units in the assessment area totaled 62,569. 53.0 percent were owner-occupied, 32.2 percent were rental, and 14.8 percent were vacant. 73.1 percent of the housing units were one- to four-family, 16.5 percent were multifamily, and 9.9 percent were mobile homes. The median housing age was 23 years, and the median housing value was \$70,196.

According to information obtained from the Regional Economic Information System (REIS) as of 1994, the leading industries in the assessment area included government; services; retail trade; and finance, insurance, and real estate. Except in the mining, manufacturing, and farming sectors, employment in the assessment area increased between 1990 and 1994.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FT. WALTON BEACH ASSESSMENT AREA

The table below shows the geographic distribution of the 148 HMDA-related and 27 small business loans made inside the Ft. Walton Beach assessment area. Selected demographic information is included.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FT. WALTON BEACH ASSESSMENT AREA
 (CONTINUED)**

Census Tract Income Level	Percentage of Total Families in Census Tracts	Percentage of Owner- Occupied Units	Percentage of Loans	
			HMDA	Small Business
Moderate	21.0	15.5	14.9	30.0
Middle	61.6	66.6	73.0	59.0
Upper	17.4	17.9	12.1	11.0
Total	100.0	100.0	100.0	100.0

As stated earlier, the assessment area contains no low-income census tracts. Middle-income census tracts make up the majority of the tracts in the assessment area, and a vast majority of the loans were made in those tracts. 73 percent of the HMDA loans were made in middle-income census tracts. HMDA lending in all census tract types is consistent with the demographics of the assessment area. Small business lending is also concentrated in the middle-income census tracts, but reasonable percentages of the loans were made in moderate- and upper-income tracts.

The following table shows the distribution of the HMDA-related loans by borrower income level.

Borrower/Family Income Level	Percentage of Total Families in Assessment Area	Percentage of HMDA Loans
Low	16.5	6.8
Moderate	20.9	19.6
Middle	23.8	13.5
Upper	38.8	60.1
Total	100.0	100.0

HMDA-related lending to low-income borrowers is low compared with the percentage of total families who are low-income. Possible factors contributing to the low lending levels to low-income individuals are the shortage of affordable homes, competition, insufficient borrower income, poor credit history, low level of loan application activity, or consumer apathy. The percentage of loans to moderate-income borrowers is basically equal to the percentage of total families who are moderate-income. The percentage of loans

to middle-income borrowers is below the percentage of total families who are middle-income. The percentage of loans to upper-income borrowers is significantly above the percentage of total families who are upper-income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FT. WALTON BEACH ASSESSMENT AREA (CONTINUED)

27 small business loans were originated in the assessment area. Information on the gross revenues of the business was not reported for two of these loans. Of the 25 loans with gross revenue information, 21 (84.0 percent) were to businesses with gross annual revenues of \$1 million or less. These businesses are considered small businesses. Of the small business loans, 88 percent were for amounts of \$100,000 or less; 4 percent were for amounts of greater than \$100,000 but less than or equal to \$250,000; and 8 percent were for amounts greater than \$250,000 but less than or equal to \$1 million.

The bank's lending in the Fort Walton Beach assessment area is consistent with the institution's overall lending performance.

SUMMARY OF INSTITUTION'S OPERATIONS IN THE SPRING HILL, FLORIDA AREA

The bank has two branches and no ATMs in the Spring Hill area. The Seven Hills Office was opened in August 1996. Both branches are located in middle-income census tracts.

DESCRIPTION OF SPRING HILL ASSESSMENT AREA (HERNANDO COUNTY)

The Spring Hill assessment area consists of the 16 census tracts that make up Hernando County, which is part of the Tampa/St. Petersburg/Clearwater MSA. No census tracts are low- or upper-income; 6 (38 percent) are moderate-income; and 10 (62 percent) are middle-income. The total population as of the 1990 Census was 101,115. 29.2 percent of total residents live in moderate-income census tracts and 70.8 percent live in middle-income census tracts. The median family income was \$25,686 according to the 1990 Census. Of the 32,723 families in the assessment area, 22.2 percent are low-income; 26.0 percent are moderate-income; 25.9 percent are middle-income; and 25.9 percent are upper-income. 7.9 percent of total families live below the poverty level.

The 1990 Census showed a total of 50,018 housing units in the assessment area. 71.5 percent were owner-occupied, 13.1 percent were rental, and 15.4 percent were vacant. 72.0 percent of the housing units were one- to four-family, 2.8 percent were multifamily, and 24.6 percent were mobile homes. The median housing age was 14 years, and the median housing value was \$70,925.

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DESCRIPTION OF SPRING HILL ASSESSMENT AREA (CONTINUED)

According to information obtained from REIS as of 1994, the leading industries in the assessment area included services; retail trade; government; and finance, insurance, and real estate. Except in the mining, farming, and construction sectors, employment in the assessment area increased between 1990 and 1994.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SPRING HILL ASSESSMENT AREA

The table below shows the geographic distribution of the 36 HMDA-related and 4 small business loans made inside the Spring Hill assessment area. Selected demographic information is included.

Census Tract Income Level	Percentage of Total Families in Census Tracts	Percentage of Owner- Occupied Units	Percentage of Loans	
			HMDA	Small Business
Moderate	27.9	28.1	8.3	75.0
Middle	72.1	71.9	91.7	25.0
Total	100.0	100.0	100.0	100.0

As stated earlier, the assessment area contains no low-income or upper-income census tracts. HMDA lending in moderate-income census tracts is very low. Small business lending is reasonable. The percentage of HMDA-related loans in middle-income census tracts is greater than the percentage of families who live in middle-income tracts.

The following table shows the distribution of the HMDA-related loans by borrower income level.

Borrower/Family Income Level	Percentage of Total Families in Assessment Area	Percentage of HMDA Loans
Low	22.2	8.3
Moderate	26.0	22.2
Middle	25.9	36.1
Upper	25.9	33.4
Total	100.0	100.0

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SPRING HILL ASSESSMENT AREA
(CONTINUED)

HMDA-related lending to low-income borrowers is low compared to the percentage of families who are low-income. The percentage of loans to moderate-income borrowers is slightly below the percentage of total families who are moderate-income. The percentages of loans to middle- and upper-income borrowers are higher than the percentages of families who are middle-income and upper-income.

Four small business loans were originated in the Spring Hill assessment area. Two were in amounts of \$100,000 or less; one was in an amount greater than \$100,000 but less than or equal to \$250,000; and one was in an amount greater than \$250,000. Gross revenues for the businesses to which the loans were made were not reported.

Compass Bank's lending in the Spring Hill assessment area is consistent with the institution's lending performance overall.

APPENDIX A
 SCOPE OF EXAMINATION

TIME PERIOD REVIEWED		HMDA Loans - January 1, 1996, to March 31, 1997 Small Business Loans - January 1, 1996, to December 31, 1996	
FINANCIAL INSTITUTION Compass Bank, Jacksonville, Florida		PRODUCTS REVIEWED HMDA Loans Small Business Loans	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
FLORIDA Pensacola (MSA 6080) Jacksonville (MSA 3600) Ft. Walton Beach (MSA 2750) Spring Hill (MSA 8280)	On-site Off-site On-site Off-site	2 branches in the Pensacola MSA, 2 branches in the Jacksonville MSA, and 2 branches in the Ft. Walton Beach MSA	None