

# **PUBLIC DISCLOSURE**

March 29, 1999

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Harris Trust/Bank of Montreal  
93039  
West Palm Beach, 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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<b>ABBREVIATIONS</b>
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Affordable Housing Program.....	AHP
Block Numbering Area.....	BNA
Community Reinvestment Act.....	CRA
Federal Housing Administration.....	FHA
Federal National Mortgage Association.....	FNMA
Home Mortgage Disclosure Act .....	HMDA
Low-income Housing Tax Credits.....	LIHTC
Metropolitan Statistical Area .....	MSA
State Housing Initiatives Partnership.....	SHIP
Veterans Administration.....	VA

<b>ROUNDING CONVENTION</b>
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Because percentages presented in tables were rounded to the nearest whole number in most cases, some columns may not total exactly 100 percent.

<b>GENERAL INFORMATION</b>
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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 Harris Trust/Bank of Montreal prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of March 29, 1999. 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 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.

<b>INSTITUTION</b>
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**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

Harris Trust/Bank of Montreal's overall performance level with respect to the Community Reinvestment Act (CRA) lending, investment, and service performance was assessed and is rated "Satisfactory".

**Lending Test** – A high percentage of the bank's consumer loans is inside its assessment area. The geographic distribution of HMDA and consumer loans by census tract income level reflects adequate penetration throughout the assessment area. A review of the bank's lending activity between January 1, 1998 to April 26, 1999 showed lending in low- and moderate-income tracts was low when compared to the percentage of families residing in those tracts and the percentage of owner-occupied units located in the tracts. However, because of the high poverty level and the low percentage of owner-occupied units available in these tracts, it is expected that a lower number of loans would be originated in these tracts. Given the demographics in moderate-income tracts, opportunities may exist for more lending in these tracts. The distribution of loans by borrower income, given the product lines offered, and the de novo status of the bank, reflects generally reasonable penetration among borrowers of different income levels. The bank has purchased loans through housing loan programs with innovative and flexible lending criteria. Although the bank has not originated HMDA loans in its name, it has initiated 144 mortgage loan applications for more than \$40 million through its affiliate during the review period.

**Investment Test** – The bank has a significant level of qualified community development investments, has exhibited adequate responsiveness to credit and community economic development needs, and used innovative investments to support community development initiatives. These investments include the purchase of multi family housing revenue bonds, the purchase of loans to low- and moderate-income borrowers. The amount of the investments is significant when considered in relationship to the asset size of the bank. The bank has made financial contributions to a variety of nonprofit organizations that provide services to low- and moderate-income individuals in the low- and moderate-income areas.

**INSTITUTION (Continued)**

**Service Test** – The bank offers full banking services at all of its banking center locations. Banking hours are reasonable at all locations. Offices are located in Palm Beach and Sarasota Counties. In addition, the branch offices have ATMs. The branches are somewhat accessible to most portions of the bank's assessment area including low-income areas. Even though no branches are located in low-income census tracts, a review of maps depicting branch locations indicates that the branch offices, one located in a moderate-income census tract, and one located in an upper-income census tract, are near low-income tracts, thereby making retail-banking services reasonably accessible to these areas. In addition, less than 2 percent of the population are in low-income census tracts. The percentage of branches in moderate-income census tracts (50 percent) is reasonable when compared to the percentage of families in these tracts. In addition, as part of the bank's alternative delivery system, the bank offers an automated telephone response system, and personal computer banking. The bank also offers 800 numbers which allow customers from all communities access to customer service representatives. Customers also have access to more than 600 ATM locations in Florida through the Publix ATM network.

The bank has provided a relatively high level of community development services since the opening of its office in January 1998. These community development services primarily relate to providing technical assistance and training for organizations involved in low- and moderate-income areas and provide financial benefits to community development agencies.

The following table indicates the performance level of Harris Trust/Bank of Montreal with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>HT/BOM</u>		
	PERFORMANCE TESTS		
	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.

<b>INSTITUTION (Continued)</b>
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**DESCRIPTION OF INSTITUTION**

Harris Trust/Bank of Montreal, West Palm Beach, Florida is one of a number of corporate entities in the Bank of Montreal group of companies. Bankmont Financial Corporation, a wholly owned subsidiary of Bank of Montreal, a Canadian Banking institution, owns 80 percent of the outstanding shares of the bank. Harris Bankcorp, Inc., a wholly owned subsidiary of Bankmont Financial Corporation, owns the remaining 20 percent. Harris Bankcorp, inc. is also the parent company of Harris Trust and Savings Bank, Chicago, Illinois (HTSB), as well as numerous other community banks and nonbank subsidiaries. Before its conversion to a state-chartered commercial bank on January 9, 1998, the bank operated as a trust company and business unit of Harris Trust Savings Bank. The bank currently operates a main office in West Palm Beach, Florida and a branch office in Sarasota, Florida.

The bank offers a full range of loan and deposit products, including home equity loans and lines, auto loans, personal lines of credit, construction loans, and residential mortgages. Commercial loans are primarily offered as an accommodation to existing customers of the bank. The bank closed one commercial loan during 1998. The bank accepts applications for residential mortgage loans which are sent to Harris Trust Savings Bank in Chicago, where they are processed and booked. For CRA purposes, Harris Trust Savings Bank allocates those loans that were originated inside the assessment areas to Harris Trust/Bank of Montreal.

The bank does not have any financial or legal impediments that would hinder its ability to meet community credit needs. Because the bank is a de novo institution, this is the bank's first CRA Public Evaluation.

**INSTITUTION (Continued)**

**DESCRIPTION OF THE INSTITUTION (Continued)**

The following table shows the composition of the bank's loan portfolio as of December 31, 1998 using financial data taken from the Consolidated Reports of Condition and Income.

<b>COMPOSITION OF LOAN PORTFOLIO AS OF SEPTEMBER 30, 1998*</b>		
<b>Loan Type</b>	<b>\$ (000s)</b>	<b>Percent</b>
Construction and Development	\$0	0.0%
Secured by One- to Four- Family Dwellings	\$19,600	98.1%
Other Real Estate:		
Farmland	\$0	0.0%
Multifamily	\$0	0.0%
Nonfarm nonresidential	\$0	0.0%
Commercial and Industrial	\$0	0.0%
Loans to Individuals	\$374	1.9%
Agricultural Loans	\$0	0.0%
<b>Total</b>	<b>\$19,974</b>	<b>100.0%</b>

\* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

The table shows that the bank's loan portfolio is almost exclusively comprised of loans secured by one- to four-family dwellings and loans to individuals. The loans secured by one- to four-family dwellings are loans purchased from Harris Trust Savings Bank. The bank initiated the application for each of these loans, however Harris Trust Savings Bank actually underwrites and closes each loan in its name. The assessment area contains many banks, particularly in Palm Beach County, resulting in a high level of financial competition for market share of loan and deposit products. Most large regional banks operate branches in Palm Beach County and provide a wide selection of products and specialized financial services.



<b>INSTITUTION (Continued)</b>
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**DESCRIPTION OF THE INSTITUTION (Continued)**

**DESCRIPTION OF OVERALL ASSESSMENT AREAS**

The bank defines its assessment areas as portions of the West Palm Beach in the Boca Raton MSA, and portions of Sarasota in the Bradenton MSA. The assessment areas are defined as 200 contiguous census tracts in Palm Beach County and 27 census tracts in Sarasota. The bank has one branch office in each of the counties and these tracts incorporate the areas around the bank's two offices.

Palm Beach County is located on the southeast coast of Florida. It is the largest of the sixty-seven counties in the state, and has the third largest population. The county's most important and basic industries are agriculture, tourism and manufacturing. The county is one of the nation's leading agricultural areas. For the decade 1980-90, Palm Beach County's population grew by 49.7 percent. In 1990 the county had a population of 863,518.

Sarasota County is located on Florida's west coast immediately south of the Tampa Bay region. Manatee County borders the county on the north, Desoto County to the east, and Charlotte County to the south. The county continues to experience population growth. In 1980 the population was 202,251 and the 1990 Census placed the county's population at 277,776.

The following tables show the demographics of the bank's overall assessment area as compared to the West Palm Beach and Sarasota assessment areas.

Harris Trust Bank  
 West Palm Beach, Florida  
 March 29, 1999

RSSD ID No. 93039

DEMOGRAPHIC COMPARISON																
Category	WHOLE BANK						PALM BEACH ASSESSMENT A									
Distribution of Tracts	Number			Percent			Number									
Low-Income Tracts	11			4.8%			10									
Moderate-Income Tracts	43			18.9%			41									
Middle-Income Tracts	97			42.7%			84									
Upper-Income Tracts	76			33.5%			65									
<i>Total Assessment Area</i>	227			100.0%			200									
Housing Units - Tract Distribution	Owner-Occupied		Rental		Vacant		Owner-Occupied		Rental							
Low-Income Tracts	2,400	0.8%	4,416	3.7%	1,271	1.1%	1,754	0.7%	3,636	3.8%						
Moderate-Income Tracts	54,452	17.2%	28,378	24.0%	19,672	17.2%	52,195	20.2%	24,940	26.0%						
Middle-Income Tracts	149,428	47.3%	58,095	49.0%	39,507	34.6%	120,669	46.7%	46,366	48.3%						
Upper-Income Tracts	109,642	34.7%	27,559	23.3%	53,751	47.1%	83,859	32.4%	21,138	22.0%						
<i>Total</i>	315,922	100.0%	118,448	100.0%	114,201	100.0%	258,477	100.0%	96,080	100.0%						
Housing Units - Percentage in Tract																
Low-Income Tracts	29.7%		54.6%		15.7%		27.0%		55.9%							
Moderate-Income Tracts	53.1%		27.7%		19.2%		54.8%		26.2%							
Middle-Income Tracts	60.5%		23.5%		16.0%		60.1%		23.1%							
Upper-Income Tracts	57.4%		14.4%		28.1%		57.3%		14.5%							
<i>Total Assessment Area</i>	57.6%		21.6%		20.8%		57.6%		21.4%							
Population - Tract Distribution	Families		Households		Population		Families		Households							
Low-Income Tracts	4,464	1.5%	6,801	1.6%	20,421	2.0%	3,418	1.4%	5,343	1.5%						
Moderate-Income Tracts	48,055	16.6%	82,666	19.0%	181,369	18.0%	45,488	19.2%	76,941	21.7%						
Middle-Income Tracts	140,424	48.6%	208,232	47.9%	490,965	48.7%	113,782	48.1%	167,389	47.1%						
Upper-Income Tracts	96,262	33.3%	137,374	31.6%	314,400	31.2%	73,828	31.2%	105,348	29.7%						
<i>Total</i>	289,205	100.0%	435,073	100.0%	1,007,155	100.0%	236,516	100.0%	355,021	100.0%						
Population - Percentage by Income																
Low-Income	49,678		17.2%		91,566		21.0%		42,670		18.0%		76,997		21.7%	
Moderate-Income	53,888		18.6%		72,111		16.6%		44,716		18.9%		59,025		16.6%	
Middle-Income	65,857		22.8%		86,933		20.0%		53,798		22.7%		71,371		20.1%	
Upper-Income	119,782		41.4%		184,463		42.4%		95,332		40.3%		147,628		41.8%	
<i>Total</i>	289,205		100.0%		435,073		100.0%		236,516		100.0%		355,021		100.0%	
Families - Tract Distribution	Families < Poverty Level		Low-Income Families	Moderate-Income	Middle-Income	Upper-Income	Families < Poverty Level		Low-Income Families	Moderate-Income						
Low-Income Tracts	9.4%		5.0%	1.9%	0.8%	0.4%	8.3%		4.6%	1.7%						
Moderate-Income Tracts	35.2%		32.7%	23.9%	15.7%	7.1%	38.1%		36.0%	27.4%						
Middle-Income Tracts	39.7%		45.9%	53.9%	57.0%	42.6%	38.2%		44.3%	52.7%						
Upper-Income Tracts	15.7%		16.3%	20.3%	26.5%	49.9%	15.4%		15.0%	18.2%						
<i>Total</i>	100.0%		100.0%	100.0%	100.0%	100.0%	100.0%		100.0%	100.0%						
Families - Percentage in Tract																
Low-Income Tracts	33.2%		55.8%		22.8%		11.2%		10.2%							
Moderate-Income Tracts	11.6%		33.8%		26.8%		21.6%		17.8%							
Middle-Income Tracts	4.5%		16.2%		20.7%		26.7%		36.3%							
Upper-Income Tracts	2.6%		8.4%		11.4%		18.1%		62.1%							
<i>Total Assessment Area</i>	5.5%		17.2%		18.6%		22.8%		41.4%							
Households Receiving Public Assistance	3.5%						3.4%									
Median Family Income							\$38,539									
Population Age	Age 65 and Over			Age 18 and Over			Age 65 and Over									
	25.2%			81.6%			27.1%									

Totals in percentage columns are calculated independently and may not be exactly equal to the sum of the components due to rounding of the rounding errors are immaterial and have no effect on related analyses or conclusions.

DEMOGRAPHIC COMPARISON										
Category	WHOLE BANK						SARASOTA ASSESSMENT /			
	Number			Percent			Number			
<b>Distribution of Tracts</b>										
Low-Income Tracts	11			4.8%			1			
Moderate-Income Tracts	43			18.9%			2			
Middle-Income Tracts	97			42.7%			13			
Upper-Income Tracts	76			33.5%			11			
<b>Total Assessment Area</b>	227			100.0%			27			
<b>Housing Units - Tract Distribution</b>	Owner-Occupied		Rental		Vacant		Owner-Occupied		Rental	
Low-Income Tracts	2,400	0.8%	4,416	3.7%	1,271	1.1%	646	1.1%	780	3.5%
Moderate-Income Tracts	54,452	17.2%	28,378	24.0%	19,672	17.2%	2,257	3.9%	3,438	15.4%
Middle-Income Tracts	149,428	47.3%	58,095	49.0%	39,507	34.6%	28,759	50.1%	11,729	52.4%
Upper-Income Tracts	109,642	34.7%	27,559	23.3%	53,751	47.1%	25,783	44.9%	6,421	28.7%
<b>Total</b>	<b>315,922</b>	<b>100.0%</b>	<b>118,448</b>	<b>100.0%</b>	<b>114,201</b>	<b>100.0%</b>	<b>57,445</b>	<b>100.0%</b>	<b>22,368</b>	<b>100.0%</b>
<b>Housing Units - Percentage in Tract</b>										
Low-Income Tracts	29.7%		54.6%		15.7%		40.8%		49.3%	
Moderate-Income Tracts	53.1%		27.7%		19.2%		31.4%		47.9%	
Middle-Income Tracts	60.5%		23.5%		16.0%		62.3%		25.4%	
Upper-Income Tracts	57.4%		14.4%		28.1%		57.7%		14.4%	
<b>Total Assessment Area</b>	<b>57.6%</b>		<b>21.6%</b>		<b>20.8%</b>		<b>57.7%</b>		<b>22.5%</b>	
<b>Population - Tract Distribution</b>	Families		Households		Population		Families		Households	
Low-Income Tracts	4,464	1.5%	6,801	1.6%	20,421	2.0%	1,046	2.0%	1,458	1.8%
Moderate-Income Tracts	48,055	16.6%	82,666	19.0%	181,369	18.0%	2,567	4.9%	5,725	7.2%
Middle-Income Tracts	140,424	48.6%	208,232	47.9%	490,965	48.7%	26,642	50.6%	40,843	51.0%
Upper-Income Tracts	96,262	33.3%	137,374	31.6%	314,400	31.2%	22,434	42.6%	32,026	40.0%
<b>Total</b>	<b>289,205</b>	<b>100.0%</b>	<b>435,073</b>	<b>100.0%</b>	<b>1,007,155</b>	<b>100.0%</b>	<b>52,689</b>	<b>100.0%</b>	<b>80,052</b>	<b>100.0%</b>
<b>Population - Percentage by Income</b>										
Low-Income	49,678	17.2%	91,566	21.0%			7,008	13.3%	14,569	18.2%
Moderate-Income	53,888	18.6%	72,111	16.6%			9,172	17.4%	13,086	16.3%
Middle-Income	65,857	22.8%	86,933	20.0%			12,059	22.9%	15,562	19.4%
Upper-Income	119,782	41.4%	184,463	42.4%			24,450	46.4%	36,835	46.0%
<b>Total</b>	<b>289,205</b>	<b>100.0%</b>	<b>435,073</b>	<b>100.0%</b>			<b>52,689</b>	<b>100.0%</b>	<b>80,052</b>	<b>100.0%</b>
<b>Families - Tract Distribution</b>	Families < Poverty Level		Low-Income Families	Moderate-Income	Middle-Income	Upper-Income	Families < Poverty Level		Low-Income Families	Moderate-Income
Low-Income Tracts	9.4%		5.0%	1.9%	0.8%	0.4%	14.6%		7.6%	2.7%
Moderate-Income Tracts	35.2%		32.7%	23.9%	15.7%	7.1%	20.8%		12.5%	7.0%
Middle-Income Tracts	39.7%		45.9%	53.9%	57.0%	42.6%	47.4%		55.6%	59.7%
Upper-Income Tracts	15.7%		16.3%	20.3%	26.5%	49.9%	17.2%		24.3%	30.5%
<b>Total</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>
<b>Families - Percentage in Tract</b>										
Low-Income Tracts	33.2%		55.8%	22.8%	11.2%	10.2%	36.6%		50.9%	24.0%
Moderate-Income Tracts	11.6%		33.8%	26.8%	21.6%	17.8%	21.3%		34.2%	25.2%
Middle-Income Tracts	4.5%		16.2%	20.7%	26.7%	36.3%	4.7%		14.6%	20.6%
Upper-Income Tracts	2.6%		8.4%	11.4%	18.1%	62.1%	2.0%		7.6%	12.5%
<b>Total Assessment Area</b>	<b>5.5%</b>		<b>17.2%</b>	<b>18.6%</b>	<b>22.8%</b>	<b>41.4%</b>	<b>5.0%</b>		<b>13.3%</b>	<b>17.4%</b>
<b>Households Receiving Public Assistance</b>	3.5%						3.6%			
<b>Median Family Income</b>							\$33,128			
<b>Population Age</b>	Age 65 and Over			Age 18 and Over			Age 65 and Over			
	25.2%			81.6%			27.1%			

Totals in percentage columns are calculated independently and may not be exactly equal to the sum of the components due to rounding errors are immaterial and have no effect on related analyses or conclusions.

**INSTITUTION (Continued)**

**DESCRIPTION OF OVERALL ASSESSMENT AREAS<sup>1</sup> (Continued)**

**General Description**

The bank's assessment areas contain 227 census tracts. Of the 227 tracts, 11 (5 percent) are low-income; 43 (19 percent) are moderate-income; 97 (43 percent) are middle-income and 76 (33 percent) are upper-income. 5 (45 percent) of the 11 low-income tracts have very low or no owner-occupied housing units. Because of this and other demographic characteristics, described later in the report, the lowest level of HMDA loan originations is expected in the low-income tracts.

Population Demographics and Income Statistics

The total population and median family income in the bank's combined assessment areas continue to increase. The 1990 population was 1,007,155 which had increased to approximately 1,271,000 as of 1995. According to the Department of Housing and Urban Development, the 1998 estimated median family income for the Palm Beach MSA is \$51,200, which is a 33 percent increase from the 1990 median family income of \$38,539. The 1998 estimated median family income for the Sarasota MSA is \$43,300, which is a 31 percent increase from the 1990 median family income of \$33,128.

289,205 families<sup>2</sup> live in the assessment area. The table below shows the percentage of families living in each type of tract by income level.

<b>PERCENTAGE OF FAMILIES BY CENSUS TRACT INCOME LEVEL</b>					
<b>Census Tract Income Level</b>	<b>Total Families</b>	<b>Low-Income Families</b>	<b>Moderate-Income Families</b>	<b>Middle-Income Families</b>	<b>Upper-Income Families</b>
Low-Income	4,464	56	23	11	10
Moderate-Income	48,055	34	27	21	18
Middle-Income	140,427	16	21	27	36
Upper-Income	96,262	8	12	18	62
<b>Total</b>	<b>289,158</b>	<b>17</b>	<b>19</b>	<b>23</b>	<b>41</b>

<sup>1</sup> Unless otherwise noted, demographic information was obtained from the 1990 Census.

<sup>2</sup> Families are defined as households with one or more other occupants related to the householder by birth, marriage, or adoption. Therefore, a single person living alone or two or more unrelated individuals living together are not considered a family.

<b>INSTITUTION (Continued)</b>
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**DESCRIPTION OF OVERALL ASSESSMENT AREAS (Continued)**

Only 2 percent of the families live in low-income tracts and 17 percent live in moderate-income tracts, with the highest number of families in each income category living in that particular tract type. 78 percent of the total number of low-income families live in moderate- and middle-income tracts. 73 percent of all moderate-income families reside in moderate- and middle-income tracts. Because 49 percent of the total number of families live in middle-income tracts and 82 percent of the families live in middle- and upper-income tracts, it would be expected that a larger percentage of loans would be originated in these tract types.

Of the total families in the assessment area, 17 percent are low-income; 19 percent are moderate-income; 23 percent are middle-income; and 41 percent are upper-income. 6 percent of the total number of families live below the poverty level. By number, most families living below the poverty level reside in middle-income tracts and by percent, most families below the poverty level are in low-income tracts. To estimate the percentage of families that are viable candidates for mortgage loans, families that earn below the poverty level are factored out. The assumption is that families earning below the poverty level would not be able to qualify for a home loan without some form of assistance from public or private entities. It is also assumed that all families earning wages below poverty are categorized as low-income. After these families are factored out, the family distribution levels shift in all income categories. In the low-income group, the family distribution adjusts downward from 17 percent to 12 percent. Conversely, family distribution in the moderate-income sector remained at 19 percent and family distribution in the middle-income sector increased slightly from 23 percent to 24 percent and family distribution in the upper-income sector increased from 41 to 44 percent. With such a high concentration of families below the poverty level, especially in low- and moderate-income tracts, a lower number of HMDA-reportable loans would be expected in these tracts.

**INSTITUTION (Continued)**

**DESCRIPTION OF OVERALL ASSESSMENT AREAS (Continued)**

Economic Statistics.

Using information from the U.S. Bureau of Labor statistics, employment figures for the assessment areas are shown in the following table.

<b>Unemployment Trends For The Month Of December</b>			
<b>ASSESSMENT AREAS</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Palm Beach County	4.7	5.2	5.5
Sarasota County	1.9	2.4	2.6
State of Florida	3.8	4.1	4.5

No major fluctuations occurred in the unemployment rates in the bank's assessment areas or the state of Florida. The unemployment rate for Palm Beach County remained above the state of Florida; and the unemployment rate for Sarasota County remained below the state of Florida. The unemployment rates have gradually and consistently decreased between 1996 and 1998 because of the strengthening economy.

The 5 major industries in the assessment areas are as follows:

<b>Type Of Industry</b>	<b>Number Of Employees</b>
Services and Other	265,048
Retail Trade	132,271
Government	69,093
Finance, Insurance & Real Estate	66,888
Construction	42,200

The preceding table shows that the assessment area's economy primarily draws on the service and retail trade industries. These industries have increased 27 percent and 8 percent respectively between 1990 and 1995. Census data showed a total of 41,004 business establishments in Palm Beach and Sarasota Counties. 96 percent of the establishments had fewer than 50 employees, and the majority of the establishments with fewer than 50 employees were in the service and retail trade business.

**INSTITUTION (Continued)**

**DESCRIPTION OF OVERALL ASSESSMENT AREAS (Continued)**

Housing Statistics

Housing units in the bank's assessment areas totaled 548,571. 57 percent were owner-occupied units; 22 percent were rental units; and 21 percent were vacant units.<sup>3</sup> Housing throughout the assessment areas consists primarily of one- to four-family dwellings totaling 341,629 (62 percent) followed by multifamily dwellings (5 or more units) totaling 172,705 (32 percent). 5 percent of the housing units are mobile homes. The median age of housing stock is 26 years. The median age of homes in low-income tracts is 31 years, which may indicate a need for home improvement loans for homes in these tracts.

The following table depicts the distribution of housing units by census tract income level.

<b>DISTRIBUTION OF HOUSING UNITS</b>				
<b>Census Tract Income Level</b>	<b>Total Units</b>	<b>Percentage Of Owner-Occupied Units To Total Units<sup>4</sup></b>	<b>Percentage Of Rental Units To Total Units</b>	<b>Percentage Of Vacant Units To Total Units</b>
Low-Income	8,087	30	54	16
Moderate-Income	102,502	53	28	19
Middle-Income	247,030	61	23	16
Upper-Income	190,952	58	14	28
<b>TOTAL</b>	<b>548,571</b>	<b>58</b>	<b>21</b>	<b>21</b>

Middle- and upper-income tracts have the greatest percentage of owner-occupied units. As a result, it is expected that the greatest number of home loans would be originated in these tracts. Fewer opportunities may exist for mortgage originations in low-income tracts because of the low percentage of owner-occupied units.

<sup>3</sup> Vacant units include those that are for rent and for sale. It also includes units that have been recently rented or sold but where the new occupant has not yet moved in or those that are intended for use only in certain seasons or for occasional use.

<sup>4</sup> The percentage is based on the total number of each unit type divided by the total number of housing units in each census tract level.

<b>INSTITUTION (Continued)</b>
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## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### Preface

This section presents the facts and analysis used to evaluate the lending, investment, and service performance of the bank for the overall assessment area. It provides a comprehensive view of how the bank is addressing the banking needs in its entire assessment area. This section is followed by analyses of the bank's lending, investment, and service performance in each of the bank's MSAs (West Palm Beach-Boca Raton and Sarasota-Bradenton). Each of these sections compares the bank's performance in that geographic area with the bank's overall performance.

### Basis of Evaluating Statistical Data

Most of the charts compare lending activity under the lending test and branch distribution under the service test with demographic percentages. This comparison facilitates the evaluation of whether the bank is performing above, at, or below standards. Generally, if the percentages for lending activity and branch distribution relating to low- and moderate-income people or areas exceed the percentages for those demographics, then the performance of the bank for that topic is evaluated as exceeding standards. Conversely, as a general rule, if the percentages for lending activity and branch distribution relating to low- and moderate-income people or areas are below the percentages for those demographics, then the performance of the bank for that topic is evaluated as below standards. If the percentages for lending activity and branch distribution parallel the demographic percentages, then the performance of the bank is generally evaluated as meeting standards for that topic. Valid reasons that can explain why the bank is more than adequately serving or not adequately serving the needs of low- and moderate-income people and areas are taken into account. The bank's de novo status and its small number of branches (2) were considered when evaluating the bank's record of lending in its assessment areas.

### **Lending Test**

The component rating for the lending test is determined by evaluating the following criteria: (1) the number and amount of the bank's home mortgage, small business, and consumer loans in the bank's assessment area; (2) the geographic distribution of the bank's home mortgage, small business, and consumer loans; (3) the distribution in the bank's assessment area of the bank's home mortgage, small business, and consumer loans to borrowers of various income levels; (4) the complexity, dollar amount, innovativeness, and number of community development loans; and (5) the bank's use of innovative or flexible lending practices.



<b>INSTITUTION (Continued)</b>
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**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

Lending Activity

Loans reportable under the Home Mortgage Disclosure Act (HMDA) and consumer loans were used for the lending analysis. For purposes of CRA, HMDA loans are those loans as defined in Regulation C. The HMDA loan categories for this review are home purchase and home refinance loans. Consumer loan categories include motor vehicle, home equity, other secured, and unsecured loans. The bank did not report any small farm loans. Unless noted otherwise, the time period for the loan data is from January 1, 1998, through April 26, 1999.

Lending levels reflect a generally satisfactory responsiveness to assessment area credit needs. The bank offers a full range of consumer and mortgage loan products including special credit loans. Management is also placing more emphasis on local residential and consumer loans. As discussed, the bank is a de novo institution and the bank's loan volume has been steadily increasing. It has generated a majority of its loans inside its assessment areas. The bank is rated a "Low Satisfactory" under the lending test based on its overall level of lending.

The bank's average net loan-to-deposit ratio for the four quarters ended March 31, 1998 was 50 percent, which can be considered slightly low for this size bank; but not for a de novo institution. The bank's asset size has increased substantially since January 1998. The average loan-to-deposit ratio from March 31, 1998 through December 31, 1998 has averaged around 65 percent. Twelve banks with assets of less than \$100 million operate in the bank's assessment areas. The banks have assets ranging from \$19.4 million to \$92.1 million and loan-to-deposit ratios ranging from 41 percent to 86 percent. The bank's average loan-to-deposit ratio ranked eleventh of the twelve banks in its assessment area of similar asset size.

The bank is subject to intense competition in its assessment areas for its loan and deposit products. In Palm Beach County alone 51 financial institutions with 432 branches operate in the county.

**INSTITUTION (Continued)**

Lending Activity (Continued)

Assessment Area Concentration

A reasonable percentage of the bank's lending occurs inside its assessment areas. Of the 67 consumer loans originated by the bank, approximately 67 percent are inside the bank's assessment areas. Overall, 67 percent of the loans and 77 percent by dollar amount are inside the bank's assessment areas, indicating the bank's willingness to originate loans that meet the credit needs of the assessment areas. The following table illustrates the bank's lending inside and outside its assessment areas.

<b>ANALYSIS OF LENDING IN THE ASSESSMENT AREAS</b>								
LOAN TYPE	INSIDE ASSESSMENT AREAS				OUTSIDE ASSESSMENT AREAS			
	Number	Percent	\$(000s)	Percent	Number	Percent	\$(000s)	Percent
Consumer	45	67	4,275	77	22	33	1,256	23

HMDA reportable loans are not included in the assessment area concentration analysis. Although the bank initiates the loan applications, the bank's affiliate, Harris Trust and Savings Bank of Chicago, underwrites the loans and closes them in its name. Harris Trust Savings Bank follows these procedures for each of its affiliate banks. For CRA purposes, Harris Trust Savings Bank will allocate only the loans closed in the assessment area to that particular affiliate. Because of this, considering only HMDA loans in the assessment area would distort the analysis.

Geographic Distribution

The geographic distribution of loans by census tracts income levels reflects low penetration in the moderate-income tracts in relation to available housing. Factors taken into consideration in reviewing the bank's performance in this area include characteristics such as population demographics, poverty levels, and the percentage of one- to four-family housing units located within tracts by income level. In addition, the percentage of the bank's HMDA- reportable loans to applicants residing in tracts by income level could not be compared to aggregate market performance and several peer banks because the bank has only recently become a local lender.

**INSTITUTION (Continued)**

Geographic Distribution (Continued)

The following table shows the geographic distribution of all HMDA loans combined. The distribution of families and owner-occupied housing units is included as a basis for comparison.

<b>GEOGRAPHIC DISTRIBUTION OF HMDA LOANS</b>						
CENSUS TRACT LEVEL	LOANS		OWNER-OCCUPIED UNITS		FAMILIES	
	Number	Percentage	Number	Percentage	Number	Percentage
Low-Income	2	1	2,400	1	4,464	2
Moderate-Income	8	6	54,452	17	48,055	17
Middle-Income	44	31	149,423	47	140,424	48
Upper-Income	90	62	109,642	35	96,262	33
<i>TOTAL</i>	<i>144</i>	<i>100</i>	<i>315,917</i>	<i>100</i>	<i>289,205</i>	<i>100</i>

Because there is a small percentage of owner-occupied housing units in low-income tracts, few HMDA originations would be expected in those tracts. In comparison with the percentage of families in moderate-income tracts, overall HMDA lending is lower in these tracts. As stated earlier, with the poverty level considered in moderate-income tracts, there may be few lending opportunities for the bank in these tracts. It should be noted that, out of the 12 moderate-income tracts located in eastern Palm Beach County, 3 seem to have low lending opportunities. These tracts contained only 1,170 families and 984 owner-occupied housing units. The following table lists some of the reasons for the lending limitations in a few of these tracts.

<b>TRACTS WITH LOW OR NO LENDING OPPORTUNITIES</b>				
COUNTY	TRACT	FAMILIES	OWNER-OCCUPIED UNITS	REASON FOR NO LENDING
99	26.00	54	0	Primarily a business area with 0 owner-occupied housing units.
99	14.02	328	248	Primarily a business area with only 248 owner-occupied housing unit.
99	16.00	788	736	Primarily a business area

**INSTITUTION (Continued)**

Geographic Distribution (Continued)

The next table shows the geographic distribution of consumer loans. The distribution of families is included as a basis for comparison.

<b>GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS</b>				
CENSUS TRACT LEVEL	LOANS		FAMILIES	
	Number	Percentage	Number	Percentage
Low-Income	<b>3</b>	<b>7</b>	4,464	2
Moderate-Income	<b>2</b>	<b>4</b>	48,055	17
Middle-Income	<b>9</b>	<b>20</b>	140,424	48
Upper-Income	<b>31</b>	<b>69</b>	96,262	33
<b>TOTAL</b>	<b>45</b>	<b>100</b>	<b>289,205</b>	<b>100</b>

Penetration of consumer loans in moderate-income tracts is low in relation to the percentage of total families living in moderate-income census tracts. However, the bank faces strong competition for consumer loans in these census tracts from the statewide and regional banks that have branches in these tracts. These branches are more accessible to the residents of low- and moderate-income tracts. Additionally, the bank has chosen not to compete heavily for consumer loans, which represent a small part of the loan portfolio. As already stated, the bank has only two branches, one in Palm Beach County and one in Sarasota County. Generally, individuals seeking consumer loans will go to the nearest bank in their neighborhood, where they are also most likely to have an established deposit relationship. Although consumer lending levels in the moderate- and middle-income tracts are less than the percentage of families in those tracts, it would not be expected that the lending be consistent with the percentage of families because of the very low percentage of consumer loans in the bank's portfolio. Based on these factors, the bank's performance in originating consumer loans in all geographies of its assessment areas is considered reasonable.

**INSTITUTION (Continued)**

Distribution by Borrower Profile (Continued)

Borrower Characteristics

Overall, the distribution of lending reflects a low penetration among customers of different income levels, given the product lines offered. The following table shows the percentage distribution of the bank's HMDA-reportable loans by the income level of the borrower.

<b>DISTRIBUTION OF HMDA LOANS BY BORROWER INCOME</b>				
<b>BORROWER INCOME LEVEL</b>	<b>LOANS</b>		<b>FAMILIES</b>	
	Number	Percentage	Number	Percentage
Low-Income	0	0	49,678	17
Moderate-Income	13	9	53,888	19
Middle-Income	24	17	65,857	23
Upper-Income	106	74	119,782	41
<b>TOTAL</b>	<b>143</b>	<b>100</b>	<b>289,205</b>	<b>100</b>

The banks record of HMDA lending to low and moderate income borrowers was less than the percentage of low and moderate income families in the assessment area. The low percentage of lending to low-income borrowers is attributed to the lack of affordable homes and the high competition in the assessment area. 6 percent of the total number of families in the assessment area live below the poverty level. The highest number of families living below the poverty level resides in middle-income tracts. Families that earn below the poverty level are considered to be low-income and are not likely to be viable candidates for mortgage loans. After these families are factored out, the family distribution levels shift in all income categories. In the low-income group, the family distribution adjusts downward from 17 percent to 12 percent. The distribution of borrowers reflects a satisfactory penetration among customers of different income levels compared to the number and percent of individuals eligible for home loans.

The following table shows the distribution of consumer loans by family income level. The distribution of families is included as a basis for comparison.

<b>DISTRIBUTION OF CONSUMER LOANS BY BORROWER INCOME</b>				
<b>BORROWER INCOME LEVEL</b>	<b>LOANS</b>		<b>FAMILIES</b>	
	Number	Percentage	Number	Percentage
Low-Income	2	5	49,678	17
Moderate-Income	1	3	53,888	19
Middle-Income	4	10	65,857	23
Upper-Income	32	82	119,782	41
<b>TOTAL</b>	<b>39</b>	<b>100</b>	<b>289,205</b>	<b>100</b>

<b>INSTITUTION (Continued)</b>
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*Responsiveness to Credit Needs of Economically Disadvantaged Groups*

Community Development Lending

The bank is refinancing two community redevelopment loans to the St. John Resource Development Corporation for the Genesis Project, an affordable 4 unit, rental housing property. A \$25,000 loan closed in 1999 and a \$70,900 loan commitment was made in April 1999.

Use of Innovative or Flexible Lending Practices

The bank makes use of flexible and innovative lending practices in serving assessment area credit needs. The bank offers and participates in several programs with flexible and innovative underwriting criteria. Some are comparable in nature to those products offered by similarly situated lenders. The bank is able to offer the same special credit programs offered by its lead bank, Harris Trust Savings Bank.

The bank received 3 applications from low- and moderate-income borrowers referred to the bank by the Housing Partnership, Inc, a group that is associated with NeighborWorks.

As a result of the housing seminars, through the St. John's Human Resource Development Corporation Homebuyers Club, 3 applications were received from low- and moderate-income applicants. One of the applications was pre-approved.

**Investment Test**

The component rating for the investment test is determined by evaluating the following criteria: (1) the dollar amount of qualified investments; (2) the innovativeness or complexity of qualified investments; (3) the responsiveness of qualified investments to credit and community development needs; and (4) the degree to which the qualified investments are not routinely provided by private investors.

The investment test evaluates the bank's record of helping to meet the credit needs of its assessment areas through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the bank's assessment area. Usually, activities considered under the lending or service tests may not be considered under the investment test.

<b>INSTITUTION (Continued)</b>
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**Investment Test (Continued)**

A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: (1) affordable housing, (2) community services targeting low- and moderate-income individuals, (3) activities that promote economic development by financing small farms and small businesses, and (4) activities that revitalize or stabilize low and moderate-income geographies.

The institution's performance is evaluated pursuant to the following criteria: (1) the dollar amount of qualified investments; (2) the innovativeness or complexity of qualified investments; (3) the responsiveness of qualified investments to credit and community development needs; and (4) the degree to which the qualified investments are not routinely provided by private investors.

Level of Qualified Investments

**Housing Finance Authority of Palm Beach County, Florida** – Multi Family Housing Revenue Bonds for \$320,000. These bonds were issued for the purpose of providing financing for the construction of a 160-unit facility for senior citizens.

**Palm Beach County Local Initiatives Support Corporation (LISC)** – \$10,000 initial investment. LISC promotes and provides community development grants and technical assistance through several community development corporations (CDCs).

Harris Trust/Bank of Montreal and Harris Bank Chicago purchased an investment in a package of 12 single-family mortgages at a cost of \$1,019,145. All loans are to low- and moderate-income borrowers in southern Florida. 33 percent are in the bank's assessment areas. \$319,000 of the investment is being held by the bank.

Harris Trust/Bank of Montreal is rated "high satisfactory" under the investment test based upon its level of qualified investments. In addition, many of the bank's qualified investments are not routinely provided by the private sector.

**INSTITUTION (Continued)**

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

The major contributions went to the following organizations:

<b>QUALIFIED CONTRIBUTIONS MADE DURING THE REVIEW PERIOD</b>		
<b>ORGANIZATION</b>	<b>PURPOSE</b>	<b>DOLLAR AMOUNT</b>
St. John Human Resource Development Corporation	Contribution will support the corporation's operations. Its mission is to stimulate the development of housing.	\$ 4,000
St. John Human Resource Development Corporation	Contribution will support the rent collection and property management program.	\$ 4,000
Palm Beach County LISC	Contribution will support operations including the funding of local CDC's.	\$ 10,000
Northwood Business Development Corporation	Contribution was used to sponsor program to encourage new business in this Enterprise Zone	\$ 1,000
Goodwill Foundation "Good Bank / Good Homes Project"	Contribution will provide "seed capital" for this project. The project's goal is to develop affordable housing in a low-income area.	\$ 5,000
Housing Partnership, Inc.	Contribution will support activities with NeighborWorks.	\$ 5,000
Palm Beach County Affordable Housing Collaborative	Membership/Contribution will support general activities.	\$ 500
St. John Human Resource Development Corporation	President Stewart donated his personal computer for the corporation's financial record keeping.	"in-kind"

Other contributions in smaller dollar amounts went to a greater number of organizations.

**Service Test**

The service test evaluates the bank's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of a bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking and community development services are evaluated pursuant to the following criteria: (1) the distribution of the bank's branches among geographies of different income levels; (2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; (3) the availability and effectiveness of alternative delivery systems for delivering retail banking services; (4) the range of services provided in low-, moderate-, middle-, and upper-income geographies; (5) the extent to which the bank provides community development services; and (6) the innovativeness and responsiveness of community development services.



**INSTITUTION (Continued)**

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Service Test (Continued)**

Distribution of Branches

Branches are accessible to essentially all portions of the bank's assessment area including low-income areas.

<b>SERVICE TEST</b>				
<b>Tract Income</b>	<b>Branches</b>		<b>ATMS</b>	
	Number	Percent	Number	Percent
Low-Income Tracts	0	0.0%	0	0.0%
Moderate-Income Tracts	1	50.0%	1	50.0%
Middle-Income Tracts	0	0.0%	0	0.0%
Upper-Income Tracts	1	50.0%	1	50.0%
<i>Total Assessment Area</i>	2	100.0%	2	100.0%

Although no branches are in low-income census tracts, a review of maps depicting branch locations indicates that the bank's branches are adjacent to low-income tracts, thereby making retail-banking services reasonably accessible to these areas. In addition, less than 2 percent of the population are in low-income census tracts. The distribution of branches is also reasonable when compared to the percentage of families in moderate income tracts. Also, three moderate-income tracts have little or no population.

Alternative Delivery Systems

The bank provides an adequate of level of alternative delivery systems and services that include ATMs, telephone banking, and personal computer banking. These systems and services enhance access to both loan and deposit services and are provided to all individuals, including low- and moderate-individuals and to those individuals located in low- and moderate-income census tracts.

The bank also operates a 24-hour banking service. The bank has 800 numbers which allow customers access to customer service representatives and access to the automated telephone response system without having to call long distance. The automated telephone response service provides account information, fund transfer capabilities, and check services such as stop payment and new check ordering over the telephone. Moreover, 24-hour service associates are available if personal service is required. PC Banking is available, although this is usually not an alternative delivery system used by most low- and moderate-income families.

Opening and Closing of Branches

The bank has opened but not closed any branches and it has a branch closing policy that meets federal regulatory guidelines.

<b>INSTITUTION (Continued)</b>
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**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

Reasonableness of Branch Hours and Availability of Banking Services

The availability and the extent of services by geography were reviewed. The bank offers a full range of services at each location. The office hours are consistent and reasonable at each branch location.

Community Development Services

The bank has participated in an outstanding level of community development services. Management has sponsored banking, credit, and homeownership seminars for low- and moderate-income families and areas, and provided financial expertise to various organizations by serving on their boards or loan committees. The following chart lists some of the major organizations and seminars sponsored by the bank along with the level of service provided by the bank.

**INSTITUTION (Continued)**

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

<b>COMMUNITY DEVELOPMENT SERVICES</b>			
<b>County</b>	<b>Organization</b>	<b>Type of Organization</b>	<b>Activity/Service Provided</b>
Palm Beach	LISC – Palm Beach	Nonprofit organization that works with CDCs.	One of the bank's officers is on the executive committee.
Palm Beach	Housing Partnerships, Inc.	Nonprofit organization that provides affordable housing and related services to LMI families. Provides homebuyer workshops.	The bank has worked with organization on affordable housing loans. A director initiated contact with the organization and a bank officer volunteered to assist with its training efforts.
Palm Beach	West Palm Beach Downtown Development Corporation	Community Development Corporation.	A bank officer serves as director on this organization. The CDC focuses its attentions on economic development of the downtown area.
Palm Beach	St. John Human Resource Development Corporation	Faith based Community Development Corporation.	The bank President is an active director. The organization's purpose is to stimulate economic investment, and the development, restoration, and preservation of affordable housing in the "target area".
Palm Beach	St. John Human Resource Development Corporation Homebuyers Club	Community Development Corporation.	A bank employee participates in seminars aimed at explaining affordable housing programs.
Palm Beach	Northwood Business Development Corporation.	The 34 <sup>th</sup> . Street Model Block Project will create a model block of 9 rehabilitated, owner-occupied properties in an Enterprise Zone.	A bank employee was elected Chairman for the Model Block Program. A bank officer is on the real estate committee. The bank provides assistance and technical advice.
Palm Beach	Palm Beach County Affordable Housing Collaborative	Annual Home Buyers Expo.	A bank employee participated in a seminar aimed at explaining affordable housing programs.
Sarasota	Goodwill Industries Community Housing Development Organization.	The CHODO plans to build 5-6 affordable homes and to assist low- and moderate-income borrowers beneficially priced mortgage financing.	A bank Employee serves as a member of the Advisory Committee.
Sarasota	Goodwill Industries Community Housing Development Organization.	The CHODO plans to build 5-6 affordable homes and to assist low- and moderate-income borrowers beneficially priced mortgage financing.	A bank Employee serves as a member of the Advisory Committee.
Palm Beach	Housing Partnerships, Inc.	Nonprofit organization that provides affordable housing and related services to LMI families. Provides homebuyer workshops.	The bank has worked with the organization on subsidies for affordable housing loans. A bank officer has provided technical advice and volunteered to assist with their training efforts.

<b>INSTITUTION (Continued)</b>
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**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Compliance with Antidiscrimination Laws**

The bank solicits applications from all segments of its communities, including low- and moderate-income areas. 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. No evidence of prohibited discrimination or other illegal credit practices was noted during the examination. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations. Fair lending training has been provided to bank employees.

<b>METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES</b>
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**DESCRIPTION OF INSTITUTION'S OPERATIONS IN WEST PALM BEACH, FLORIDA**

The West Palm Beach assessment area consists of 200 census tracts in Palm Beach county, which makes up the Palm Beach MSA. The bank operates 1 branch and 1 ATM in this assessment area. The bank's lending in West Palm Beach is concentrated in real estate and consumer loans.

The total population in the assessment area was 826,692 as of the 1990 Census. The assessment area contains a total of 236,516 families, with the majority residing in middle- and upper-income tracts. Of the 200 tracts, 10 (5 percent) are low-income; 41 (21 percent) are moderate-income; 84 (41 percent) are middle-income and 65 (33 percent) are upper-income. 32 percent of the total number of families in low-income tracts are below the poverty level. The 1990 median family income for the West Palm Beach- Boca Raton MSA was \$38,539, although as discussed, the 1998 estimated median family income increased 33 percent to \$51,200.

The West Palm Beach assessment area contains a total of 448,997 housing units. 58 percent are owner-occupied, 21 percent are rental and 21 percent are vacant. Housing in the assessment area consists primarily (61 percent) of one- to four-family dwellings. The median age of housing stock is 26 years. As indicated by the demographic chart, the highest concentration of rental units is located in low- and middle-income tracts, which may result in fewer mortgage loan originations in those tracts. Conversely, the greatest number of home loans would most likely be originated in moderate- and upper-income tracts. The median gross rent for the assessment area was \$601, which was higher than the state of Florida at \$481.

According to the Bureau of Labor Statistics, 472,309 people were in the labor force in the West Palm Beach assessment area in August 1996. This represents a 7 percent increase from 442,680 in 1993. The unemployment rate decreased from 8.6 percent in December 1993 to 6.4 percent in December 1998. Considering this information, as well as the income and population statistics, the assessment area does not seem to be economically depressed.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

The 5 major industries in the assessment areas are as follows:

Type Of Industry	Number Of Employees
Services and Other	190,559
Retail Trade	97,439
Government	54,757
Finance, Insurance & Real Estate	50,552
Construction	31,677

The major industries in Palm Beach County are services and retail trade. County business patterns information from the U.S. Census Bureau shows a total of 31,025 businesses in this assessment area. 29,802 (96 percent) of the establishments had fewer than 50 employees, and 62 percent of the establishments with fewer than 50 employees were in the service and retail trade business.

**The Lending Test**

Lending Activity

The following table shows the geographic distribution of all HMDA loans combined. Selected demographic information about the tract is included as a basis for comparison.

GEOGRAPHIC DISTRIBUTION OF HMDA LOANS						
CENSUS TRACT LEVEL	LOANS		OWNER-OCCUPIED UNITS		FAMILIES	
	Number	Percentage	Number	Percentage	Number	Percentage
Low-Income	2	2	1,754	1	3,418	1
Moderate-Income	6	7	52,195	20	45,488	19
Middle-Income	16	20	120,669	47	113,782	47
Upper-Income	58	71	83,859	32	78,828	33
<i>TOTAL</i>	<i>82</i>	<i>100</i>	<i>258,477</i>	<i>100</i>	<i>241,516</i>	<i>100</i>

Because there is a small percentage of owner-occupied housing units in low-income tracts, few HMDA originations would be expected in those tracts. In comparison with the percentage of families in moderate-income tracts, overall HMDA lending is slightly lower in moderate-income tracts. As stated earlier, even considering the poverty level in moderate-income tracts, lending opportunities may exist for the bank in these tracts. It should be noted that of the 12 moderate-income tracts located in eastern Palm Beach County, 3 tracts appear to have low lending opportunities. The tracts contained only 1,170 families and 984 owner-occupied housing units.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

Geographic Distribution

The next table shows the geographic distribution of consumer loans by income level of census tract and compares it to the distribution of census tracts by income category:

<b>GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS</b>				
CENSUS TRACT LEVEL	LOANS		FAMILIES	
	Number	Percentage	Number	Percentage
Low-Income	3	10	3,418	1
Moderate-Income	2	7	45,488	19
Middle-Income	7	24	113,782	47
Upper-Income	17	59	78,828	33
<i>TOTAL</i>	<i>29</i>	<i>100</i>	<i>241,516</i>	<i>100</i>

Penetration of consumer loans in the moderate-income tracts is low in relation to the percentage of families living in the moderate-income census tracts in the assessment area. However, the bank faces strong competition for consumer loans in these census tracts from the statewide and regional banks that have branches in these tracts, which are more readily accessible to the low- and moderate-income tract residents. Additionally, the bank has chosen not to compete heavily for consumer loans, which represent a small part of the loan portfolio. As already stated, the bank does not have a large branch network and has only one office in this assessment area. Generally, individuals seeking consumer loans will go to the nearest bank in their neighborhood, where they are also most likely to have an established deposit relationship. Although consumer lending levels in the middle-income tracts are also less than the percentage of families in those tracts, it would not be expected that the lending be consistent with the percentage of families because of the very low percentage of consumer loans in the bank's portfolio.

Based on these factors, the bank's performance in originating consumer loans in all geographies of its assessment areas is considered reasonable.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

Borrower Characteristics

The following table shows the distributors of HMDA loan by family income level:

<b>DISTRIBUTION OF HMDA LOANS BY FAMILY INCOME LEVEL</b>				
<b>BORROWER INCOME LEVEL</b>	<b>LOANS</b>		<b>FAMILIES</b>	
	Number	Percentage	Number	Percentage
Low-Income	2	2	42,670	18
Moderate-Income	6	7	44,716	19
Middle-Income	16	20	53,798	23
Upper-Income	58	71	95,332	40
<i>TOTAL</i>	<i>82</i>	<i>100</i>	<i>236,516</i>	<i>100</i>

The highest number of families living below the poverty level resides in middle-income tracts. To estimate the percentage of families that may be viable candidates for residential mortgage loans, families that earn below the poverty level are factored out. An assumption is made that families earning below the poverty level would not be able to qualify for home loans without some form of assistance. The assumption is also made that all families earning wages below poverty are categorized as low-income. After these families are factored out, the family distribution levels shift in all income categories. In the low-income group, the family distribution adjusts downward. Conversely, family distribution in the moderate-income sector remained about the same. With such a high concentration of families below the poverty level, especially in low- and moderate-income tracts, a lower number of HMDA-reportable loans would be expected in these tracts.

The next table shows the distribution of consumer loans by family income level of and compares it to the distribution of family by income category:

<b>DISTRIBUTION OF CONSUMER LOANS BY BORROWER INCOME</b>				
<b>BORROWER INCOME LEVEL</b>	<b>LOANS</b>		<b>FAMILIES</b>	
	Number	Percentage	Number	Percentage
Low-Income	2	8	42,670	18
Moderate-Income	1	4	44,716	19
Middle-Income	3	12	53,798	23
Upper-Income	19	76	95,332	40
<i>TOTAL</i>	<i>25</i>	<i>100</i>	<i>236,516</i>	<i>100</i>



**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

The distribution of lending among customers of low, moderate, and middle incomes, is lower than the percentage of families in these income levels. Generally, individuals seeking consumer loans will go to the nearest bank in their neighborhood, where they are also most likely to have an established deposit relationship. Although consumer lending levels in the moderate- and middle-income tracts are less than the percentage of families in those tracts, it would also not be expected that the lending be consistent with the percentage of families because of the very low percentage of consumer loans in the bank's portfolio. Based on these factors, the bank's performance in originating consumer loans in all geographies of its assessment areas is considered reasonable.

Community Development Lending

The bank refinanced a \$25,000 loan to the St. John Resource Development Corporation. The bank has committed to a \$70,900 construction/rehabilitation to the same West Palm Beach community development corporation.

Use of Innovative or Flexible Lending Practices

The bank participates in local homebuyers seminars aimed at educating low- and moderate-income individuals and preparing them for first time home ownership. The bank also offers numerous below market rate home loans developed by its affiliate in Chicago.

**Investment Test**

The bank's record of making qualified investments is satisfactory and is consistent with the bank's capabilities as well as opportunities for such investments in the assessment area.

**Service Test**

The bank operates 1 branch and 1 ATM in a moderate income tract in the West Palm Beach assessment area.

The branch is reasonably accessible to essentially all portions of the bank's assessment area, and business hours do not vary in a way that inconveniences any segments of the assessment area.

The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery system in the Palm Beach assessment area. The bank has not opened or closed any branches in the West Palm Beach assessment area.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**Compliance With Antidiscrimination Laws**

The bank is in compliance with antidiscrimination laws and regulations. No evidence of discrimination or other illegal credit practices was noted during the examination.

<b>METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)</b>
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**CRA RATING FOR SARASOTA, FLORIDA ASSESSMENT AREA  
DESCRIPTION OF INSTITUTION'S OPERATIONS IN SARASOTA COUNTY, FLORIDA**

The Sarasota County assessment area is the Sarasota MSA. The bank operates 1 branch and 1 ATM in this assessment area. The majority of the bank's lending in Sarasota assessment area is concentrated in real estate, and consumer loans.

<b>METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)</b>
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**CRA RATING FOR ASSESSMENT AREA  
DESCRIPTION OF INSTITUTION'S OPERATIONS IN FLORIDA**

This assessment area is made up of 27 census tracts. The total population in the assessment area was 180,463 as of the 1990 Census with an estimated increase of 17 percent to 1,470,758 in 1997. The assessment area contains a total of 52,689 families, with the majority residing in middle- and upper-income tracts. 1 (4 percent) is low-income; 2 (7 percent) are moderate-income; 13 (48 percent) are middle-income and 11 (41 percent) are upper-income. 37 percent of the total number of families in low-income tracts are below the poverty level. 14 percent of the total number of households in low-income tracts receive some form of public assistance. The median family income for the Sarasota MSA was \$33,128. By 1998, the estimated median family income had increased 31 percent to \$43,300.

The Sarasota assessment area contains a total of 99,594 housing units. 58 percent are owner-occupied, 22 percent are rental and 20 percent are vacant. Most of the housing in the assessment area (66 percent) area is one- to four-family dwellings. The median age of housing stock is 23 years. As indicated by the demographic chart, the highest concentration of rental units is located in low- and moderate-income tracts, which may result in fewer mortgage originations in those tracts. Conversely, the greatest number of home loans would most likely be originated in middle- and upper-income tracts.

The median gross rent for the assessment area was \$548, which was higher than the state of Florida at \$481. The median gross rent in middle-income tracts, where most low- and moderate-income families live, is \$555.

According to the Bureau of Labor Statistics, 246,421 people were in the labor force in Sarasota County in December 1996. This represents an 11 percent increase from 221,225 in 1993. The unemployment rate decreased from 4.5 percent in December 1996 to 3.8 percent in December 1998. Considering this information, as well as the income and population statistics, the assessment area does not seem to be economically depressed.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**CRA RATING FOR SARASOTA, FLORIDA ASSESSMENT AREA  
DESCRIPTION OF INSTITUTION'S OPERATIONS IN SARASOTA COUNTY, FLORIDA**

The 5 major industries in the assessment areas are as follows:

<b>Type Of Industry</b>	<b>Number Of Employees</b>
Services and Other	74,489
Retail Trade	34,832
Finance, Insurance & Real Estate	16,336
Government	14,336
Construction	10,523

The major industries in Sarasota County are services and retail trade. County business patterns information from the U.S. Census Bureau shows a total of 9,979 businesses in this assessment area. 9,612 (96 percent) of the establishments had fewer than 50 employees, and 62 percent of the establishments with fewer than 50 employees were in the service and retail trade business.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES – SARASOTA COUNTY (Continued)**

**The Lending Test**

Lending Activity

Geographic Distribution

The geographic distribution of loans by census tracts income levels reflects less than adequate penetration throughout the assessment areas. Factors taken into consideration in reviewing the bank’s performance in this area include characteristics such as population demographics, poverty levels, and the percentage of one- to four-family housing units located within tracts by income level. In addition, the percentage of the bank’s HMDA- reportable loans to applicants residing in tracts by income level could not be compared to aggregate market performance and several peer banks because Harris Trust/Bank of Montreal has only recently become a local lender.

The following table shows the geographic distribution of all HMDA loans combined. Selected demographic information about the tracts is included as a basis for comparison.

<b>GEOGRAPHIC DISTRIBUTION OF HMDA LOANS</b>						
CENSUS TRACT LEVEL	LOANS		OWNER-OCCUPIED UNITS		FAMILIES	
	Number	Percentage	Number	Percentage	Number	Percentage
Low-Income	0	0	646	1	1,046	2
Moderate-Income	2	3	2,257	4	2,567	5
Middle-Income	28	45	28,759	50	26,642	51
Upper-Income	32	52	25,783	45	22,434	42
<i>TOTAL</i>	62	100	57,445	100	52,689	100

Because there is a small percentage of owner-occupied housing units in low-income tracts, few HMDA originations would be expected in those tracts. In comparison with the percentage of families in moderate-income tracts, overall HMDA lending is slightly lower in moderate-income tracts. As stated earlier, even considering the poverty level in moderate-income tracts, lending opportunities may exist for the bank in these tracts.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**CRA RATING FOR SARASOTA, FLORIDA ASSESSMENT AREA  
 DESCRIPTION OF INSTITUTION'S OPERATIONS IN SARASOTA COUNTY, FLORIDA  
 Lending Test (Continued)**

<b>GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS</b>				
<b>CENSUS TRACT LEVEL</b>	<b>LOANS</b>		<b>FAMILIES</b>	
	Number	Percentage	Number	Percentage
Low-Income	3	10	1,046	2
Moderate-Income	2	7	2,567	5
Middle-Income	7	24	26,642	51
Upper-Income	17	59	22,434	42
<i>TOTAL</i>	<i>29</i>	<i>100</i>	<i>52,689</i>	<i>100</i>

Penetration of consumer loans in low-and moderate-income tracts is low in relation to the percentage of families living in low-and moderate-income tracts in the assessment area. However, the bank faces strong competition for consumer loans in these census tracts from the statewide and regional banks that have branches in these tracts, which are more readily accessible to the low- and moderate-income tract residents. Additionally, the bank has chosen not to compete heavily for consumer loans, which represent a small part of the loan portfolio. As already stated, the bank does not have any branches in the low- and moderate-income census tracts in this assessment area. Generally, individuals seeking consumer loans will go to the nearest bank in their neighborhood, where they are also most likely to have an established deposit relationship. Although consumer lending levels in the middle-income tracts are less than the percentage of families in those tracts, it would not be expected that the lending be consistent with the percentage of families because of the very low percentage of consumer loans in the bank's portfolio. Based on these factors, the bank's performance in originating consumer loans in all geographies of its assessment areas is considered reasonable.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**CRA RATING FOR SARASOTA, FLORIDA ASSESSMENT AREA  
 DESCRIPTION OF INSTITUTION'S OPERATIONS IN SARASOTA COUNTY, FLORIDA**

**Lending Test (Continued)**

Borrower Characteristics

<b>DISTRIBUTION OF HMDA LOANS BY BORROWER INCOME</b>				
<b>BORROWER INCOME LEVEL</b>	<b>LOANS</b>		<b>FAMILIES</b>	
	Number	Percentage	Number	Percentage
Low-Income	0	0	7,008	13
Moderate-Income	3	5	9,172	17
Middle-Income	9	14	12,059	23
Upper-Income	50	81	24,450	47
<i>TOTAL</i>	<i>62</i>	<i>100</i>	<i>52,689</i>	<i>100</i>

The bank's HMDA lending to low-income borrowers is lower than the percentage of low-income families in the assessment area. However, assuming that the families in the assessment area that are below the poverty level are also in the low-income category, the remaining non-poverty, low-income families that may be viable candidates for loans represent only a small percentage of the total number of families above poverty. Considering this, the bank's record of lending for HMDA loans is reasonable. Another major factor affecting the bank's ability to lend to low-income borrowers is the affordability of homes. Many low-income families in the assessment areas cannot afford to purchase homes considering the median values of homes.

The next table shows the distribution of the bank's consumer loans by the income level of the borrowers.

<b>DISTRIBUTION OF CONSUMER LOANS BY BORROWER INCOME</b>				
<b>BORROWER INCOME LEVEL</b>	<b>LOANS</b>		<b>FAMILIES</b>	
	Number	Percentage	Number	Percentage
Low-Income	0	0	7,008	13
Moderate-Income	0	0	9,172	17
Middle-Income	1	7	12,059	23
Upper-Income	13	93	24,450	47
<i>TOTAL</i>	<i>14</i>	<i>100</i>	<i>52,689</i>	<i>100</i>



<b>METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)</b>
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**CRA RATING FOR SARASOTA, FLORIDA ASSESSMENT AREA**  
**DESCRIPTION OF INSTITUTION'S OPERATIONS IN SARASOTA COUNTY, FLORIDA**  
**Lending Test (Continued)**

The bank's made no consumer loans to low- or moderate-income borrowers. Considering the fact that the bank has only one branch, and does little consumer lending, the bank's record of lending for consumer loans is reasonable.

Community Development Lending

Community development activities in the assessment area include membership in the Goodwill Industries Community Housing Development Organization. The Sarasota branch was open in May 1999, and has worked closely with this newly created CHODA, which is in the process of building 5-6 affordable homes during this its first year.of operations.

Use of Innovative or Flexible Lending Practices

The bank participates in local housing efforts particularly those preparing low- and moderate-income individuals for first time home ownership. The bank also offers numerous below market rate home loan products developed by its affiliate in Chicago. A bank officer serves on the advisory committee of the organization.

**Investment Test**

Local investments include donations to the Goodwill Foundation's Good Bank/Good Homes Project. Other contributions in smaller dollar amounts went to a number of other organizations.

**Service Test**

The bank operates 1 branch and 1 ATM in the Sarasota assessment area. The branch located in an upper-income census tract in Sarasota.

Harris Trust's record of opening and closing branches has not adversely affected the accessibility of its delivery system in the Sarasota assessment area. The bank opened its first branch office in Sarasota County in May 1998.

<b>METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)</b>
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**CRA RATING FOR SARASOTA, FLORIDA ASSESSMENT AREA  
DESCRIPTION OF INSTITUTION'S OPERATIONS IN SARASOTA COUNTY, FLORIDA  
Lending Test (Continued)**

**Compliance With antidiscrimination Laws**

The bank solicits applications from all segments of its assessment area and is in compliance with the substantive provision of the antidiscrimination laws and regulations. No evidence of discrimination or other illegal credit practices was noted during the examination.

**APPENDIX A**

**SCOPE OF EXAMINATION**

<b>TIME PERIOD REVIEWED</b>			
January 1, 1998 to December 31, 1998			
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
Harris Trust/Bank of Montreal, West Palm Beach, Florida		Consumer and HMDA loans	
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
N/A	N/A	N/A	
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Florida, MSA #8960, Palm Beach Palm Beach County	On-site	One	None
Florida, MSA #7510, Sarasota Sarasota County	On-site	None	None