



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

December 01, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Morgan Bank, National Association
Charter Number 18771**

**10 West Streetsboro
Hudson, OH 44236**

**Comptroller of the Currency
ADC-Northern Ohio
3 Summit Park Drive Summit Office Park, Suite 530
Independence, OH 44131**

NOTE: This document is an evaluation of this 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. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING

This institution is rated Outstanding.

The major factors supporting MBNA's rating include:

- Overall lending to borrowers of different income levels and to businesses of different sizes is outstanding and reflects excellent penetration.
- The bank's average loan-to-deposit, at 93.7%, exceeds the standards for satisfactory performance.
- The bank's record of lending within the assessment area meets the standards for satisfactory performance.

Description of Institution

Morgan Bank National Association (MBNA) is a \$100 million independent financial institution. The bank and its one branch are headquartered in the city of Hudson, Ohio. Hudson, Ohio is a bedroom community equidistant from both Cleveland and Akron and located in the northeast part of the state. The bank opened its one full-service branch office in 2003 approximately one mile from the main office. Reasons for opening the branch were to provide a drive-thru and ATM to customers which the main office could not accommodate. The branch also provided for increased parking spaces and traffic access was vastly improved for its customers. The branch also enabled the bank to consolidate its backroom operations.

The bank has two ATMs. One ATM is located at the branch and the other is a free-standing ATM at a commercial strip center located south of the downtown district. The ATM's operate on the STAR network and offer services nationwide. In addition, the bank has joined the Community Bank Association of Ohio (CBAO) ATM network, enabling customers to use their cards at any CBAO members office without charging a fee.

No offices were closed since the last CRA public evaluation. The bank's focus is on retail banking and it offers standard products and services at all locations. Although the bank is a HMDA reporter, the bank does not actively market home mortgage loans and offers this product as an accommodation to its existing customers.

As of December 31, 2002 MBNA had \$100 million in total assets. Net loans and leases to total assets equal 75.43%. The distribution of MBNA's loan portfolio is as follows: loans to individuals (46%), real estate loans (36%) and commercial and industrial loans (16%). The remaining two percent is comprised of multiple other loan categories. The bank's real estate portfolio consists of 1-4 family residential (55%) and commercial (45%). The bank's primary

business is originating indirect auto loans through a variety of dealerships in and around its assessment area.

The bank received a "Satisfactory" CRA rating in the previous Public Evaluation dated April 2, 1998. There are no current financial or legal impediments that prevent the bank from meeting community needs.

Description of Assessment Area

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The bank's assessment area consists of portions of Summit and Portage Counties which is a part of the Akron Metropolitan Area (MA 0080). Of these geographies, 18 (60%) are middle-income geographies, 11 (37%) are upper-income geographies with 1 geography (3%) noted as NA. There are no low-income and moderate-income geographies in the assessment area.

The Department of Housing and Urban Development (HUD) updated 2002 median family income for the AA is \$55,600. The 1990 Census Bureau lists the assessment area population at 160,906 persons comprising 41,981 families. Of these families, 11% are low-income, 14% are moderate-income, 23% are middle-income and 52% are upper-income. Approximately 8% of the households within the assessment area have incomes below the poverty level with 4% relying on public assistance. Owner-occupied housing units comprise 66% of the assessment area. The housing units are primarily one-to-four family with a median housing value of \$86,938.

The annual average 2002 unemployment rates for Summit County was 5.1% and 5.0% for Portage County. The State of Ohio average unadjusted unemployment rate and the average national unadjusted unemployment rate for 2002 were 5.7% and 5.8%, respectively. Over the length of the evaluation period, unemployment trends have remained relatively the same with only slight fluctuations.

The area is basically urban with varied light and heavy manufacturing, wholesale and retail businesses, and other service industries. The current composition of industries within the AA includes international ownership, international trade (Import/Export), national trade, Inter/Intra-state trade, and financial institutions. Major employers include: Little Tikes, Fabri-Centers of America, and Caliber Logistics. Regional companies located in the assessment area include Dairy Mart, Alltel Western Reserve Telephone Company, and Allstate Insurance. The local economy is stable and influenced by local and national employers involved in the aforementioned areas.

We determined the community's credit needs by contacting representatives from a local housing and community service agency and an economic development organization. Information regarding community credit needs was also obtained from the bank.

We identified the following credit needs in this AA:

-- Small business working capital loans to existing and start-up businesses in amounts of \$100 thousand or less. Technical assistance to new and existing small businesses was also identified as a need, specifically to upgrade telecommunication and information technology systems.

Financial institutions located within the bank's AA include local community banks and branches of regional and large national institutions. MBNA's major competitors within its AA include First Merit (17%), National City Bank (16%), Fifth-Third Bank (12%), Metropolitan Bank & Trust (7%), and Charter One (6%). MBNA holds approximately 24% of the deposit market share within its AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's business strategy over the evaluation period was to move its primary focus from small business lending toward indirect installment lending. As a result of this change in strategy, total assets of the bank increased from \$ 44 million to \$100 million. This also accounts for the lower loan portfolio figures for home mortgage and commercial loan products as reported in the previous performance evaluation. Additionally, the bank does not actively market this product, offering these loans as an accommodation to its existing customers.

Based on volume, we placed more weight on the bank's consumer lending performance. During the evaluation period, the bank originated 4,501 (94%) consumer loans, 210 (4%) commercial loans and 89 (2%) home mortgage loans. Our ratings are driven by consumer loan performance with nominal consideration given to home mortgage and commercial loans.

Our analysis of consumer loans and commercial loans were based on samples taken from each of those portfolios. As the bank is a HMDA reporter, our analysis included a review of all reportable home mortgage loans made during the evaluation period.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio exceeds the standards for satisfactory performance given the bank's size, financial condition and the AA credit needs. MBNA's loan-to-deposit (LTD) ratio as of December 31, 2002 was 83.63% and its average LTD over the previous 16 quarters was 93.51%. For analysis purposes, MBNA's current and 16-quarter average LTD ratios were compared with a peer group consisting of banks of various sizes and similar purpose competing within the same AA.

The analysis shows that MBNA's LTD ratios were above the peer group's 4Q02 LTD ratio of 76.08% and 16-quarter average of 72.11%. Total assets of the bank doubled during the evaluation period as the bank chose to pursue a growth strategy of booking indirect installment loans to be sold in the secondary market.

Lending in Assessment Area

MBNA's record of lending within its AA meets the standards for satisfactory performance. A majority of the loans originated by the bank were located within its AA. Our conclusions are based on a sample of 20 installment, all home mortgage loans and 20 small business loans originated by the bank during the evaluation period.

The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Loans Originated within the Assessment Area								
	Inside AA				Outside AA			
	#	%	\$	%	#	%	\$	%
Consumer	16	80.00	189	76.01	4	20.00	60	23.99
Commercial	15	75.00	2291	70.69	5	25.00	950	29.31
Home Mortgage	42	47.20	5425	45.65	47	52.80	6440	54.35
Home Purchase	11	37.93	1543	45.95	18	62.07	1815	54.05
Home Improvement	9	90.00	124	34.07	1	10.00	240	65.93
Home Refinance	22	44.00	3758	46.04	28	56.00	4405	53.96
Total	73	56.59	7905	51.48	56	43.41	7450	48.52

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall lending to borrowers of different income levels and to businesses of different sizes is outstanding and reflects excellent penetration. The tables below detail the bank's lending to borrower's of different income levels by number of loan originations and dollar volume during the evaluation period.

The bank's distribution of consumer lending reflects excellent penetration among individuals of different income levels, particularly with respect to low- and moderate-income borrowers. Our conclusions are based on a sample of 24 consumer loans originated by the bank during the evaluation period.

Distribution of Lending by Borrower Income Level					
	Consumer Loans				Percentage of Households in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	4	16.67	85	24.71	16.90
Moderate	6	25.00	78	22.79	13.30
Middle	5	20.83	70	20.31	18.10
Upper	9	37.50	110	32.19	51.70

Overall the bank's distribution of home mortgage lending reflects reasonable penetration among individuals of different income levels including low- and moderate-income borrowers. The bank's distribution of home mortgage lending reflects poor penetration among individuals of low- income and reflects adequate penetration among individuals of moderate- income. Several factors impact the bank's performance to low- and moderate-income borrowers. As stated in the

Description of Institution section, the bank does not actively market home mortgage loans and offers this product only as an accommodation to its existing customers. Also, keen competition is provided by branches of regional and large national institutions. Additionally, 8% of the population is listed as below poverty level.

Distribution of Lending by Borrower Income Level					
	Home Mortgage Loans				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	3	3.37	68	0.56	11.54
Moderate	8	8.99	576	4.85	13.83
Middle	16	17.98	1583	13.32	23.09
Upper	58	65.17	9006	75.78	51.54
NA	4	4.49	652	5.49	0.00

Lending to businesses of different sizes is good. In order to determine the bank's performance of lending to businesses of different sizes, we selected a sample of twenty-six loans originated by the bank during the previous evaluation period. Twenty-two of the loans were made to businesses with gross annual revenues of less than \$1 million. This represents 85% of the loans in the sample. Census data for businesses in the AA that reported revenue indicated that 97% of those businesses had gross annual revenues less than or equal to \$1 million. In addition, 46% (12 loans) of the small business loans were in amounts under \$100 thousand, which was noted as an identified credit need of the community.

Geographic Distribution of Loans

As the bank has no low- or moderate-income census tracts, a geographic distribution of loans would not be meaningful.

Responses to Complaints

MBNA has not received any written complaints regarding its performance meeting the credit and deposit needs of its AA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

An analysis of recent public comments and consumer complaint information, and Home Mortgage Disclosure Act (HMDA) was performed according the OCC'S risk based fair lending guidelines. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the current CRA evaluation this year.