

PUBLIC DISCLOSURE

JUNE 24, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
02-36-5328

60 WALL STREET
NEW YORK, NY 10260

**FEDERAL RESERVE BANK
OF NEW YORK**

33 LIBERTY STREET
NEW YORK, NEW YORK 10045

NOTE: 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.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Morgan Guaranty Trust Company of New York prepared by the Federal Reserve Bank of New York on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of June 24, 1996.

It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated Satisfactory based on the findings presented below.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Morgan Guaranty Trust Company of New York's ("Morgan") ascertainment efforts are considered highly effective. These efforts are diversified, ongoing and productive. In addition, management restructured the bank's ascertainment program to enhance its outreach efforts and improve its understanding of the local communities and corresponding credit needs. Morgan ascertains the credit needs of its local communities in both New York and Delaware, including low- and moderate-income neighborhoods, by: 1) meeting regularly with nonprofit organizations, government officials, entrepreneurs and community leaders to discuss local issues, programs, and financing needs; and 2) sponsoring research projects conducted by nonprofit organizations that help define community credit needs. The bank's CRA Committee, is responsible for coordinating and evaluating the ascertainment of community credit needs and directing the implementation of lending and investment programs to meet those defined needs.

Consistent with its wholesale approach to banking, Morgan uses intermediaries to funnel loans and equity capital into projects and programs that benefit low- and moderate-income individuals and neighborhoods throughout New York City and in New Castle County, Delaware. These intermediary groups construct and renovate housing for low- and moderate-income families, provide services to low- and moderate-income people, promote community or economic development, and promote activities that revitalize or stabilize low- or moderate-income geographies.

Morgan ascertains the credit needs of the local community through the following entities or functions: J.P. Morgan Community Development Corporation, the Community Relations and Public Affairs Department, the Public Finance Unit, outside involvement by management, and the Morgan Delaware branches. As a direct result of management's ascertainment efforts, Morgan financed projects involving the Neighborhood 2000 Fund, and economic development in the Red Hook neighborhood of Brooklyn, New York. The Neighborhood 2000 Fund is a joint public, nonprofit and private sector collaborative funding initiative to support community development corporations.

J.P. Morgan Community Development Corporation

J.P. Morgan Community Development Corporation ("MCDC"), a wholly-owned community development subsidiary of J.P. Morgan & Co. ("JPM"), the parent company, serves as the principal vehicle for community-based credit activities. MCDC provides financial assistance in the form of loans and investments for the development of affordable housing, minority enterprises, the nonprofit sector and small businesses. Its clients include nonprofit organizations, community banks, lending consortia, credit unions, economic and housing development corporations and others that directly benefit low- and moderate-income individuals and neighborhoods.

MCDC originates its own loans and selects its own investments. MCDC currently has five full-time officers working to ascertain community credit needs and develop responsive credit products. These individuals draw from their prior experiences in Public Finance, Credit Policy, Equity Research, and other areas

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

of JPM or Morgan to analyze community development projects and to structure appropriate financing. MCDC's staff and directors maintain meaningful, ongoing contact with a broad range of groups representing civic, religious, economic, local government, not-for-profit organizations, small businesses and commercial and residential real estate development.

MCDC's largest clients are intermediaries which also function as significant sources for ascertaining community credit needs. In addition, MCDC maintains contact with individuals representing small businesses and neighborhood community development organizations. These meetings are conducted by a variety of MCDC staff members. In 1995, for example, MCDC officers conducted over 200 meetings with groups and entrepreneurs to discuss community development issues.

Community Relations and Public Affairs Department

Morgan's Community Relations and Public Affairs Department ("Community Relations") administers the J.P. Morgan Charitable Trust ("the Trust") which supports a wide range of nonprofit organizations engaged in housing and community development, urban affairs, and health issues. Community Relations annually evaluates hundreds of applications in its oversight of over \$10 million in charitable grants made by the Trust to nonprofit organizations, primarily in New York City. Grants awarded encompass six broad areas: urban affairs, education, health, culture, international affairs and the environment. Each grant made by Morgan requires a specific written proposal, including financial records and projections, and a site visit to or a meeting with representatives of the applicant. This review process allows Community Relations to make informed judgments about the viability of the proposals and to document carefully the need for assistance.

Every year, officers from Community Relations meet with each nonprofit organization receiving a grant from the Trust. In 1995, 450 groups received such grants. Through its contact with numerous organizations involved in urban affairs, which includes housing and economic development as well as social programs, Community Relations ascertains and addresses specific issues which relate to low- and moderate-income individuals and communities.

By requiring substantial ascertainment activity from both MCDC and Community Relations, and interaction between both groups, the bank ensures that the program is effective. Both groups refer clients to one another when the needs of the community organization are better served by the resources of the group's affiliate. In addition to the ascertainment efforts of MCDC and Community Relations, the staff of J.P. Morgan Securities, Inc. ("JPMSI") indirectly ascertains community credit needs primarily through extensive contacts with local government officials. These contacts keep JPMSI informed about public sector concerns and needs. Morgan provides credit and advisory services to New York State and City, the State of Delaware, their agencies municipalities, political subdivisions and local public service institutions such as hospitals and universities.

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

Management Involvement With Outside Organizations

Members of Morgan's staff are active in community affairs outside of the bank. MCDC and Community Relations members participate as speakers at forums. Senior management also maintains "hands on" involvement in CRA matters through memberships and affiliations with a multitude of community organizations and through diverse activities. The Managing Director of Community Relations serves as a member of the following organizations: the Primary Care Development Corporation's Board of Directors, Local Initiatives Support Corporation's New York City Advisory Board, and the National Community Development Initiative. The MCDC President sits on the board of six organizations including: Local Economic Assistance Project, Low Income Housing Fund's New York City Advisory Board, New York City Housing Partnership's Advisory Board, and New York Community Investment Corporation. The CRA Committee visits with local leaders about community projects and issues during tours of neighborhoods in Manhattan and the South Bronx.

Research

Morgan has been instrumental in the developmental stages of the Neighborhood 2000 Fund ("Fund"), an initiative to expand the impact of New York City based community development corporations ("CDCs"). With the financial support of Morgan, a study was commissioned to develop a concept and structure for the Fund. This study was completed in 1995 and the Fund is now entering the fund raising stage.

Organizations receiving Morgan grants have conducted research of housing resources in New York City. Morgan has annually employed summer interns to assist various community based organizations in researching community credit needs and producing a variety of written community development studies.

Morgan Delaware

Morgan through the activities of its Delaware branch network, ascertains the credit needs of its local communities, including low- and moderate-income neighborhoods by meeting regularly with nonprofit organizations, government officials, entrepreneurs, community leaders, and other local banking organizations to discuss local issues, programs, and financing needs. The program is monitored by the bank's CRA Committee.

Morgan uses intermediaries to provide loans and equity capital into projects and programs that benefit low- and moderate-income individuals and neighborhoods throughout New Castle County, Delaware.

Morgan's Delaware branches pursue community development activities both directly and through the MCDC. The CRA effort in Delaware is led by a Senior Vice President who is a member of Morgan's CRA Committee. A Morgan Delaware Vice President works full-time on CRA matters and community relations. A member of the Morgan Delaware Legal Department serves as CRA compliance officer for Delaware. Grants to Delaware-based organizations are evaluated by the Morgan Delaware Community Relations Committee. The 18-member committee meets monthly to discuss needs and authorize funding for appropriate proposals.

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

Representatives of Morgan Delaware and MCDC have contacted officials with the State of Delaware and the City of Wilmington. Morgan Delaware participated in the development of a multi-bank consortium known as Community Reinvestment Initiative Consortium ("CRIC"). Morgan Delaware participates in the successor to CRIC, the Community Affairs Group of Delaware. The Community Affairs Group consists of CRA officers representing all banks located in New Castle County and the majority of Kent County banks. The group serves as a networking vehicle for member banks to exchange information and ideas regarding CRA.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Morgan's board of directors participate effectively in formulating CRA policies and reviewing CRA performance. The board and senior management are an integral part of the CRA process and exercise extensive policy oversight. Additionally, senior management is personally involved in activities and with organizations that foster community development.

Morgan's board of directors has delegated responsibility for overseeing the bank's CRA efforts to a CRA Committee chaired by a Director and Vice Chairman of Morgan. Twice a year the CRA Committee reports to the board of directors on Morgan's CRA efforts. Annually, the board reviews and approves Morgan's CRA Statement, which contains Morgan's CRA policy, and community development projects. The board also reviews all vital legal and policy issues.

The information below traces responsibility for Morgan's CRA efforts as applicable to the bank's board of directors, the CRA Committee, and the officers, regularly involved with MCDC and the Trust.

CRA Committee

The CRA Committee ("Committee") provides overall direction to MCDC and Community Relations with regard to community development efforts. The Committee reviews the progress of projects in which Morgan is involved, discusses new ideas and initiatives, and considers if and how Morgan should participate. The Committee's chairman also meets on a more frequent basis with individual committee members, and particularly with the heads of MCDC and Community Relations. The Committee's guidance has resulted in a steady increase in MCDC's loan portfolio and in the growth in urban affairs grants made by Community Relations.

While the Committee assesses Morgan's CRA efforts at its meetings twice a year, it also conducts an annual CRA self-assessment that is reviewed by the board of directors. The CRA self-assessment reports and Committee minutes indicate that Morgan is considering giving more priority to creating specialized partnership funds with intermediaries. In addition, management is considering further emphasis of national community development efforts, projects involving job creation, and primary medical care. The 1995 self-assessment also triggered an expansion of the MCDC Board, while reducing the size of the CRA Committee.

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

The size of the CRA Committee has been reduced in size since the last examination. Management states that the new structure is part of an overall effort to allow for more decisions which impact CRA to be made by Morgan's senior management or at the MCDC Board level. As discussed above, a Managing Director and Chairman of the Credit Policy and Market Risk Committees also chairs the CRA Committee. A Vice Chairman and Director of Morgan is also a member of the CRA Committee. Other members include a Senior Vice President from Morgan in Delaware, and representatives of Community Relations, the MCDC, J.P. Morgan Florida, and the CRA Officer.

Directors of MCDC and Officers of the Trust

Responsible for ensuring that MCDC is properly managed, the MCDC directors provide oversight and direction to MCDC as it continues to increase its CRA efforts. The MCDC board of directors reviews and approves every commitment or investment made by MCDC while exploring and recommending avenues for new activity. Board members are also invited to attend the CRA Committee's tour each year. At least three times a year, the MCDC board invites community leaders to present their ideas and projects to the board as part of an ongoing effort to broaden the board's perspectives.

The size of the MCDC Board has been expanded since the last examination. According to management, it is a better vehicle than the CRA Committee to harness the specific business expertise of senior business managers from around the bank. Currently, the MCDC board is chaired by Morgan's senior credit officer. Another director is the senior credit officer for Special Loans, while a third has substantial contact with New York City and State authorities through her work in Public Finance's Credit Unit. The heads of MCDC, Community Relations, Equity Investments, Commercial Finance, and Morgan's CRA officer, fill the remaining MCDC board positions. As with the CRA Committee, the notable professional background of the MCDC board members provides a variety of perspectives and opportunities for cooperation between the aforementioned departments and MCDC.

The task of reviewing proposals and making recommendations for grants falls to the officers of the Trust in the Community Relations and Public Affairs Department. The final approvals for grants are made by the General Counsel, a member of the CRA Committee, and the Chairman of Morgan's Credit Policy Committee. The two most senior officers in Morgan serve as the Advisory Committee for the Trust.

The representation of the Managing Director of Community Relations on the CRA Committee and the MCDC board has been structured to serve as an integral connection between Morgan's charitable giving and its CRA mission. This representative brings useful information and guidance to these two bodies through her participation in both functions.

Morgan Delaware

Morgan Delaware utilizes the Community Relations Committee and the Community Affairs Committee to fulfill CRA responsibilities in New Castle County. Collectively, the committees perform outreach and assessment of community development opportunities. Morgan Delaware's Community Relations Committee assesses and approves grants related to CRA and philanthropic and discusses

topics and goals related to CRA at its monthly meetings. The committee is comprised of individuals employed by Morgan Delaware and its affiliates in Delaware. Four members of the committee, including the Chairman and a staff member, are also members of the Morgan Delaware's Community Affairs Committee. The Community Affairs Committee reviews community development activities, including those identified by the Community Relations Committee, and assesses ongoing community development opportunities.

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

The Morgan Delaware Management Committee, consisting of senior managers of J.P. Morgan entities in Delaware, provides general oversight to include discussing CRA issues. The CRA officer is a member of the Delaware Management Committee which meets twice a month.

In November 1994, Morgan Delaware created an officer position for CRA related activities. In addition, the CRA Officer is also a member of the J.P. Morgan CRA Committee in New York.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Due to the wholesale nature of Morgan's business, the bank does not have a retail branch network and does not engage in retail credit product marketing.

However, Morgan informs the community of its resources through its many meetings with nonprofit community organizations, financial intermediaries and public agencies, and at events hosted by the firm. Morgan's community development services are also advertised through Morgan officers who serve as speakers or panelists at conferences concerning community and economic development. Morgan hosted or sponsored 85 events or meetings for nonprofit organizations or for other community purposes since the last examination. Officers of MCDC and Community Relations also serve on the boards or special committees of a number of nonprofit organizations and also serve as speakers or panel members for events concerning community development or related issues.

MCDC uses its relationships with established consortia, such as the New York Equity Fund, New York Community Investment Company, and Local Initiatives Support Corporation ("LISC") to help promote MCDC's special credit-related activities and provide information to the community regarding the type of CRA loans and resources that are available for individuals, small businesses, and neighborhood community development corporations' located in low- and moderate-income communities.

Management has also determined that providing grants to community groups is an effective way to make members of the community aware of the credit services that MCDC is capable of providing. Examples of Morgan grantees that have gone on to become MCDC borrowers include the Low Income Housing Fund, Fund for the City of New York, the National Federation of Community Development Credit Unions, South Bronx 2000 Local Development Corporation, Neighborhood Housing Services of New York, Enterprise Foundation, and Our Children's Foundation.

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

Morgan informs members of community groups, public officials and Morgan employees of its CRA activities through the following:

- Capital Ideas, a bi-annual newsletter highlighting Morgan's community loans, grants and investments is distributed to over 445 community groups and public officials. The newsletter includes articles that describe how the bank is investing in communities throughout New York City and how to get help from JPM.
- Brochures detailing community development services are available through Morgan. This brochure, which is a by-product of CRA Committee recommendations, presents MCDC's mission statement and highlights its four main areas of service. Also included are guidelines for evaluating projects based on historical, social, and financial criteria.
- Notices are placed in outside organizations' commemorative brochures or publications.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

As a wholesale banking institution, Morgan provides a range of financial services to large domestic and international corporations; federal, state, and local governments; and financial institutions. Credit products available to such clients include: secured and unsecured loans, lease financing, and letters of credit. Morgan does not originate on a retail basis residential mortgages, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or purchase such loans originated in its community.

Morgan's Private Banking Unit provides a range of services for high net worth individuals to include: investment advice, self-directed investments, and fiduciary services. Morgan occasionally provides large personal loans and mortgages to such customers as an accommodation.

Through MCDC, Morgan provides investments, loans, and other credit facilities for projects and entities that directly benefit the low- and moderate-income individuals and neighborhoods of New York City. Details concerning MCDC's community development lending are provided in Section V, Assessment Factor H.

Through MCDC and Morgan's Delaware branch locations, Morgan provides investments, loans, and other credit facilities to projects and entities that benefit the low- and moderate-income individuals and neighborhoods of New Castle County. Details concerning MCDC's and Morgan's Delaware branch community development lending are provided in Section V, Assessment Factor H.

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

Assessment Factor J - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

For the examination review period, Morgan did not participate in governmentally-insured, guaranteed or subsidized loan programs. However, MCDC holds outstanding participations in FHA-insured mortgages and mortgage pools which have financed single-family and multi-family residences in low- and moderate-income communities throughout New York City. These investment holdings qualified as community development activities. Please see Assessment Factor H for a description of these participations.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Morgan delineates both a New York and a Delaware community. Since the last examination, Morgan expanded its delineated New York community to include the entire City of New York. This delineation is part of the Metropolitan Statistical Area ("MSA") 5600 New York, NY. Morgan has five branches in New York City: 60 Wall Street (head office), 23 Wall Street, 9 W. 57th Street, 522 Fifth Avenue, and 616 Madison Avenue.

Morgan also delineates New Castle County, Delaware, to include two branches located at 902 Market Street, Wilmington, and 500 Stanton Christiana Road, Newark. This delineation is part of the MSA 9160 Wilmington-Newark, DE-MD. As a result of the June 1, 1996 merger of J.P. Morgan Delaware ("JPMD") into Morgan, Morgan acquired these two Delaware branches.

Morgan's delineated communities are based on existing political or geographic boundaries, are consistent with Section 228.3(b)(1) of Regulation BB, and do not arbitrarily exclude any low- and moderate-income geographies.

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Morgan's overall business is national and international in scope and wholesale in nature. Consequently, an analysis of the geographic distribution of its loans was not performed. Morgan's efforts to help meet the credit needs of its local communities are comprised primarily of the bank's community development activities undertaken in its delineations. Most of Morgan's community development efforts involve providing financial support to various financial and not-for-profit intermediaries that, in turn, lend or reinvest the monies to support the credit needs of low- and moderate-income areas. All significant CRA lending is done by MCDC.

MCDC continues to analyze the geographic distribution of its community development lending and investing. MCDC's portfolio of loans and investments has been geocoded and used by management in directing its community development efforts. In addition, each year, the bank's CRA Committee performs a self-assessment that includes a review of the geographic distribution of MCDC's activities based on the available addresses of the projects benefiting from MCDC loans and investments.

Morgan's geocoded community development portfolio and the self-assessment results were reviewed at this examination. The distribution shows that activities are spread throughout the boroughs of New York City and in its low- and moderate-income areas. MCDC's projects are predominately directed towards emphasizing the development of low- and moderate-income neighborhoods by providing funding for construction and rehabilitation of housing targeted to low- and moderate-income individuals and geographies.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

As a result of the June 1, 1996, merger of JPMD into Morgan, Morgan acquired two Delaware branches located at 902 N. Market Street, Wilmington, Delaware and 500 Stanton Christiana Road, Newark, Delaware. The Wilmington office served as the head office of JPMD. The Newark location was opened as a branch of JPMD on June 1, 1996, just prior to the merger. Since last examination, there were no branches opened or closed in the bank's New York City community. The bank has an adequate written branch closing policy in place.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

As a wholesale-oriented institution, the bank does not offer the traditional credit products to the general public. Morgan solicits applications for credit from and seeks to develop relationships with corporate clients and high net worth individuals. Satisfactory compliance procedures are in place to promote nondiscriminatory credit practices. The bank does not discourage applications for the types of credit set forth in its CRA statement.

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

No credit practices were identified that were inconsistent with the substantive provisions of anti-discrimination laws and regulations including the Equal Credit Opportunity Act (Regulation B); the Home Mortgage Disclosure Act (Regulation C); the Fair Housing Act; and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Morgan, through MCDC and the Trust, satisfactorily participates in community development activities within its delineated communities. Since last examination, the bank significantly increased its financing of community development programs in its New York community by \$73.6 million or 55 percent.

From September 1994 through May 1996, Morgan's community development dollars attributable to the New York community totaled \$207.7 million. Of this total, \$123.6 million comprised lending activity, \$79.3 million comprised investment activity, and \$4.8 million represented grants in New York. Outstanding balances of \$55.6 million are carried over from community development lending and investing noted at the last examination.

Of the \$207.7 million in community development activity, \$170.1 million is affordable housing, \$7.1 million is social services, \$2.3 million is economic development, \$23.4 million serves a combination of purposes, and \$4.8 million is grantmaking activity.

New loans and investments by Morgan totaled \$139.7 million and include commitments of \$70.9 million to a New York City affordable housing fund. A significant portion of this investment was in the form of low-income housing tax credits which totaled \$64.5 million. Matching grants offered by Morgan totaled \$3.7 million.

Morgan Delaware

Morgan satisfactorily promotes community development initiatives in Delaware through the financial support of various Delaware based intermediary organizations involved with affordable housing. Community development loans and investments for the sixteen month period from February 27, 1995 through June 24, 1996 totaled \$4.3 million, including \$393 thousand in grants. A stand-by letter of credit totaled \$6.7 million.

On March 31, 1996, Morgan Delaware had an outstanding balance of \$1.5 million in community development lending and \$393 thousand in community development grants.

For further details on Morgan's community development activities, see Exhibit 2A on the following page.

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

As of May 31, 1996, Morgan had over \$1.2 billion in credit facilities for governmental and other public agencies in New York. As of the same date, Morgan's portfolio investments in securities issued by New York State and City total \$65 million, and \$15.2 million for New Castle County and State of Delaware issued securities.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no financial or legal impediments that would prevent Morgan from meeting its responsibilities under CRA. Morgan supports community development projects consistent with its business focus, asset size, and branch network.

Morgan - New York Community

Based on data from the State of New York's Department of Labor, New York City's 1995 annual unemployment rate was 8.2 percent, while the unemployment rate for the state was 6.3 percent. The major occupational categories in New York City are managerial, professional, and administrative support, which includes clerical support, services and sales. The major industries are professional and related services, finance, insurance, real estate, retail trade, and manufacturing.

Based on the 1990 data from the Bureau of the Census, the five boroughs of New York contain a population of 7.3 million of which 56.2 percent or 4.1 million are minorities. The number of occupied housing units total 2.8 million of which 800 thousand or 28.6 percent are owner-occupied units. Census Bureau data from 1990 also reports the median household income is \$30 thousand within New York City and the median family income is \$34 thousand. However, the 1996 HUD estimated median family income is \$46 thousand for MSA 5600 (New York, NY). There are 2,216 census tracts in New York City of which 799 or 36 percent are low- and moderate-income.

Morgan Delaware - New Castle County - Delaware Community

Based on data from the State of Delaware Department of Labor, New Castle County's 1995 annual unemployment rate was 4.2 percent, while the unemployment rate for the state was 4.3 percent. The major employment categories in the Wilmington-Newark, DE-MD MSA are services, retail and wholesale trade, manufacturing, government, finance, insurance and real estate.

Based on the 1990 data from the Bureau of the Census, the population in the State of Delaware is 666,168, and in the bank's delineation the population is 441,946 or 66 percent. Of the population within the delineation, 20.5 percent or 90,510 are minorities. The number of occupied housing units total 173,560 of which 112,040 or 64.6 percent are owner-occupied units. Census Bureau data from 1990 also reports the New Castle County median household income is \$39 thousand and the median family income is \$45 thousand. However, the 1996 HUD estimated median family income is \$55 thousand for MSA 9160 (Wilmington-Newark, DE-MD). The 1990 U.S. Census median family income is \$44 thousand. There are 120 census tracts in New Castle County of which 34 and 28 percent are low- and moderate-income census tract, respectively.

DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Many of Morgan's officers participate as advisors, directors or officers with a variety of New York City based non-profit organizations and volunteer programs and provide financial and technical expertise. These organizations and programs promote community development-related initiatives.

In addition to providing investments, loans and grants, Morgan and MCDC frequently provides pro bono advisory and technical services to many clients in connection with their transactions. Such advisory services assist non-profit institutions, community organizations and small businesses in obtaining financing for which otherwise they might not qualify. When further assistance is required or helpful, MCDC is also able to connect their clients with experts from other entities within and outside of Morgan. Transaction, account maintenance, legal, structuring, administrative and other fees are regularly waived or paid by MCDC. During the current examination period, such contributions included providing office space, training sessions, and computer systems and personnel.

Morgan provides summer interns to community groups every year. These graduate students from various schools often focus on research projects being conducted by the non-profit organizations. Interns generate research, perform studies and provide assistance for such organizations involved in low- or moderate-income housing, economic development and community service issues.

Morgan also participates in a matching gift program. Contributions to non-profit institutions from employees, retired employees, current or former directors of the firm, and the spouse of any eligible person are matched dollar-for-dollar by Morgan. Total gifts matched in 1995 amounted to approximately \$3.7 million from Morgan and \$142 thousand for Morgan Delaware.