

PUBLIC DISCLOSURE

March 8, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of New Castle
27575**

**12 Reads Way
New Castle, Delaware 19720**

**Federal Deposit Insurance Corporation
20 Exchange Place
New York, New York 10005**

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.

TABLE OF CONTENTS

I. General Information.....1

II. Institution Rating2

III. Description of Institution.....2

IV. Description of Assessment Area3

V. Conclusions with Respect to Performance4

VI. Other Activities.....5

VII. Appendix.....5

GENERAL INFORMATION

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Bank of New Castle** prepared by **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **March 8, 2004**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The Bank of New Castle (BNC) has exhibited a satisfactory record of helping to meet the credit and community development needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. All CRA-related activities performed since the date of the prior evaluation (February 24, 1999) were considered during this evaluation. The CRA performance of a limited purpose institution is evaluated pursuant to a Community Development Test which includes the following criteria:

The number and amount of community development loans, qualified investments, or community development services.

BNC has a high level of qualified investments given its size and resources. The bank's qualified investments since the prior evaluation consist of one CRA-qualified Delaware State Housing Revenue Bond, and 183 charitable donations totaling \$607,361. Many of these investments have helped support housing, educational, and social services needs of low- or moderate-income individuals within the bank's assessment area. Other investments contributed to the development of small businesses, or have helped revitalize low- or moderate-income areas. No community development lending was made by that bank as BNC is restricted from participating in all types of community development lending. BNC does not participate in community development services due to limited resources.

The use of innovative or complex qualified investments, community development loans, or community development services and the extent to which the investments are not routinely provided by private investors.

BNC's qualified investments are limited to charitable donations with the exception of one housing revenue bond. While these investments are neither innovative nor complex, the bank's performance under this criterion is satisfactory given the institution's small asset size (\$14.8 million as of 12-31-03), limited human resources (only one full time employee), and highly competitive market for CRA-qualified investments.

The bank's responsiveness to credit and community development needs.

Through its qualified investment activity, BNC has exhibited an adequate responsiveness to community development needs within its assessment area.

DESCRIPTION OF INSTITUTION:

BNC has been designated as a "limited purpose" institution. The bank is located in New Castle, Delaware, and had total assets of \$14.8 million as of December 31, 2003. BNC is a wholly owned subsidiary of NOVUS Credit Services, Inc., which in turn is wholly owned by Morgan

Stanley Dean Witter and Company (Morgan Stanley). BNC’s charter requires that it adheres to the legal requirements of the Competitive Equality Banking Act of 1987 (CEBA). Because BNC is a CEBA credit card bank, the institution cannot engage in any lending activities, other than credit cards, nor can it accept demand deposits. BNC is currently not issuing credit cards and does not engage in any other lending or consumer deposit-related activities. BNC has a \$500,000 brokered deposit held as a time deposit in the name of Morgan Stanley. The institution’s primary business activities are minimal repetitive wire transfers, investments in commercial paper and transfers to inter-company accounts.

BNC was rated “Satisfactory” at its last FDIC CRA evaluation dated February 24, 1999.

DESCRIPTION OF ASSESSMENT AREA

BNC’s assessment area consists of New Castle County, Delaware in its entirety. New Castle County is wholly contained within Wilmington, Delaware Metropolitan Statistical Area (MSA #4886). The bank’s assessment area contains 127 census tracts. New Castle County is bordered on the West by Maryland, on the north by Pennsylvania, on the east by the Delaware River and New Jersey, and on the south by Kent County, Delaware.

Competition within the bank’s assessment area is intense as several large financial corporations are located in the state, and more specifically, within the city of Wilmington, the largest municipality in Delaware. BNC is located just a few short miles from the City of Wilmington, which is the home of such large institutions like MBNA, First USA Bank, Wilmington Trust Company, Chase Manhattan Bank, Citibank-Delaware, Bank of New York Delaware, First Union, and PNC Bank. Because of its location, BNC is subject to heavy competition for CRA-related investments. Demographic characteristics of the bank’s assessment area are shown in Table 2 below.

TABLE 2 DEMOGRAPHIC CHARACTERISTICS			
TRACT INCOME	POPULATION	#TRACTS	%TRACTS
Low	20,852	10	7.9
Moderate	88,174	23	18.1
Middle	256,813	62	48.8
Upper	134,426	31	24.4
NA	0	1	0.8
<i>TOTALS</i>	500,265	127	100.0

Source: US Census

CONCLUSIONS WITH RESPECT TO PERFORMANCE:

Community Development Investments

BNC's level of qualified community development investments, reflect an adequate responsiveness to credit and community economic development needs.

On January 10, 2001, BNC invested \$249,336 in a Delaware State Housing Senior Mortgage Revenue Bond. The funds invested in this bond are used to finance reduced fixed rate second mortgage settlement assistance loans for low- or moderate-income homebuyers. To be eligible for the second mortgage settlement assistance, the homebuyer's income must be below 80 percent of the median income for the particular MSA and the proceeds must be used for the purchase of a primary residence.

These settlement assistance loans do not require any principal or interest payments until the home is sold or the first mortgage loan is refinanced, which further reduces the repayment burden on the low- or moderate-income homebuyer.

Since the last CRA evaluation BNC has also provided grants to 183 non-profit community development organizations for a total of \$358,025. The table below details the number and dollar amount of the various grants made.

TABLE 1 QUALIFIED GRANTS		
DESCRIPTION	NUMBER	DOLLARS
Affordable housing for low- or moderate-income individuals.	50	\$130,550
Community development social services targeted to low- or moderate-income persons.	85	\$132,185
Activities that promote economic development by financing small businesses or farms and activities that stabilize or revitalize particular low- or moderate-income areas.	12	\$30,540
Educational Services targeted to low- or moderate-income persons.	36	\$64,750
Grand Total	183	\$358,025

Source: Bank Records

OTHER ACTIVITIES

BNC was not involved in any other activities which would affect the overall rating of the institution.

APPENDIX

SCOPE OF EXAMINATION

The financial institution's performance under the Community Reinvestment Act (CRA) was evaluated using "limited purpose" CRA examination procedures. The evaluation was limited to a review of the bank's CRA grants and mortgage revenue bond investments made since the last CRA evaluation on February 24, 1999. The evaluation also included a review of the bank's assessment area and CRA map utilizing 2000 census data.