

# **PUBLIC DISCLOSURE**

**January 21, 2003**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**PNC Bank, Delaware  
00679**

**300 Delaware Avenue  
Wilmington, Delaware 19899**

**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.

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## GENERAL INFORMATION

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **PNC Bank, Delaware** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 21, 2003**. 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 RATING

***INSTITUTION'S CRA RATING:*** This institution is rated Outstanding.

Overall, PNC Bank, Delaware demonstrates an outstanding responsiveness to the credit needs of its assessment area based on the following findings:

### Lending

- Lending levels reflect excellent responsiveness to community credit needs within its assessment area as a substantial majority of loans was made inside the institution's assessment area. Overall, the bank originated 85.9 and 90.4 percent of its home mortgage and small business loans by number, respectively, inside the assessment area. Additionally, an increasing trend in the percentage of home mortgage loans originated inside the assessment area by number was noted, from 70.3 percent in 2000 to 94.5 and 96.4 percent as of December 31, 2001 and as of September 30, 2002, respectively.
- The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area, including low- and moderate-income census tracts.
- The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes.
- The bank has made an excellent level of community development loans by originating 12 qualified loans totaling \$34 million since the last examination, demonstrating a leadership role within the community.
- The institution uses flexible lending practices in order to serve assessment area needs.

### Investments

- PNC Bank, Delaware has an excellent level of qualified community development investments and grants. The institution made a total of \$16.8 million in investments and grants during the evaluation period. Additionally, the bank often takes a leadership position in this area.

### Services

- The bank's retail services reflect excellent responsiveness to the needs of community members. Delivery systems are readily accessible to all portions of the assessment area and are tailored to the convenience and needs of the consumers within the assessment area.
- The institution is a leader in providing community development services.

**LENDING, INVESTMENT, AND SERVICE TEST TABLE:**

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

<b>PERFORMANCE LEVELS</b>	<b>PNC Bank, Delaware</b>		
	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

## **DESCRIPTION OF INSTITUTION :**

PNC Bank, Delaware is wholly-owned subsidiary of PNC Financial Services Group (PNC), a diversified financial services group headquartered in Pittsburgh, Pennsylvania. PNC acquired The Bank of Delaware in 1989; thereafter, in 1994, The Bank of Delaware assumed the PNC Bank, Delaware name.

The bank operates 38 branches throughout the State of Delaware. There are 28 branches are in New Castle County, 6 in Sussex County, and 4 in Kent County. One branch is located in a low-income tract and two branches are located in moderate-income tracts, all within New Castle County.

Historically, home purchase loans were originated on the bank's behalf primarily by an affiliate, PNC Mortgage Corporation of America (PNC Mortgage), which is a wholly-owned mortgage banking subsidiary of PNC Bank, N.A. On January 31, 2001, PNC Mortgage was sold to Washington Mutual Bank, F.A., a federal savings bank. Thereafter, PNC Bank, Delaware contracted with Washington Mutual to originate home purchase loans to low- and moderate-income borrowers on the bank's behalf. The direct origination of home refinance and improvement loans continues to be originated through PNC Bank, Delaware's branch network and consumer loan center.

The bank's primary customer base consists of consumers and small- and medium-sized businesses. The types of consumer loan products that are offered include, but are not limited to, home purchase, refinance and improvement loans, certain types of student loans, credit cards, consumer leases, home equity loans and lines of credit, automobile loans, marine financing, mobile home loans, personal loans and lines of credit, cycle loans, and lot loans. The bank offers special credit-related products for home purchase and improvement loans. Additionally, the institution offers a full range of products and services tailored to meet the credit needs of small businesses. The bank is an approved Small Business Administration lender and also offers small business loans through other government sponsored programs.

Based upon the September 30, 2002 Call Report, assets totaled almost \$2.6 billion, loans totaled \$1.2 billion and total deposits were \$2.1 billion. The loan-to-deposit ratio was 57.1 percent. Since the previous evaluation, loans declined \$400 million from \$1.6 billion and deposits increased \$300 million from \$1.8 billion. Total assets at the previous evaluation were \$2.4 billion and the loan-to-deposit ratio was 88.9 percent. The lower loan-to-deposit ratio is the result of large dollar corporate lending not being as significant a part of the loan portfolio when compared to past years. The bank's loan mix is depicted in Table 1.

<i>Table 1 – Loan Distribution as of 9/30/2002</i>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	\$51,041	4.3%
Secured by Farmland	\$42	0.0%
1-4 Family Residential	\$497,022	41.9%
Multi-Family (5 or more) Residential	\$15,910	1.3%
Commercial	\$176,922	14.9%
<b>Total Real Estate Loans</b>	<b>\$740,937</b>	<b>62.4%</b>
Commercial and Industrial	\$348,517	29.4%
Agricultural	\$494	0.1%
Consumer	\$79,993	6.8%
Other	\$15,887	1.3%
Less: Unearned Income	(\$1)	*
<b>Total Loans</b>	<b>\$1,185,827</b>	<b>100.0%</b>

Source: Report of Condition, \* Less than 0.1%.

The bank is subject to intense competition from numerous commercial banks, mortgage and finance companies, savings and loan associations, credit unions, and other financial institutions operating within the same assessment area. During 2000 and 2001, 467 and 423 lenders originated home mortgage loans in the bank's assessment area, respectively. This information is derived from data reported pursuant to the Home Mortgage Disclosure Act (HMDA) and includes all home purchase and home improvement loans, and refinancings of both.

According to bank personnel, the strongest competition comes from Wilmington Trust Company, Wilmington Savings Fund Society, and Citizens Bank (formerly Mellon Bank). These institutions have a strong presence in the bank's assessment area and are competing for similar customers. The dominant mortgage companies include Wells Fargo Home Mortgage, Chase Manhattan Mortgage Corporation, and GMAC Mortgage.

PNC Bank, Delaware's financial condition is strong with a 7.5 percent Tier I Leverage Capital ratio as of September 30, 2002, well above the regulatory minimum requirements. The bank's return on assets as of the same date was 1.62 percent, slightly higher than the peer ratio of 1.33 percent.

PNC Bank, Delaware received a CRA rating of “Outstanding” at the January 24, 2000 FDIC evaluation. The rating was assigned using the Large Bank CRA evaluation procedures. The bank’s ability to meet community credit needs is strong based on its financial condition, size, and product offerings. There are no legal or financial impediments that prevent PNC Bank, Delaware from helping to meet assessment area credit needs.

## **DESCRIPTION OF THE ASSESSMENT AREA**

In conformance with the CRA regulation, PNC Bank, Delaware has designated the State of Delaware, as its assessment area. The assessment area includes:

- New Castle County, Wilmington-Newark Metropolitan Statistical Area (MSA) 9160;
- Dover County, Dover MSA 2190; and
- Sussex County, Non-MSA.

Cumulatively, the assessment area contains 175 census tracts: 9 are low-income, 25 are moderate-income, 103 are middle-income, and 31 are upper-income. Additionally, 7 census tracts contain no households or population.

The assessment area’s population based on 1990 U.S. Census data is 666,168 representing 247,163 households. However, updated data provided by the U.S. Census Bureau estimates that the population of Delaware in 2000 is 783,600, representing an increase of 17.6 percent.

Census data from 1990 indicates a total of 289,919 housing units of which 60.6 percent are owner-occupied, 25.4 percent are rental units and 14.6 percent are vacant. Only 1.1 and 9.3 percent of the assessment area’s owner-occupied units are in low- and moderate-income census tracts, respectively. Additionally, of the 6,539 and 31,921 total housing units in low- and moderate-income census tracts 30.1 and 50.8 percent, respectively are owner-occupied, much lower than the 60.0 percent for the assessment area and 60.1 and 68.9 percent owner-occupancy rates in middle- and upper-income census tracts, respectively.

Based on 1990 U.S. Census data, the percentage of families within the assessment area that qualify as low- and moderate-income is 17.2 percent and 18.6 percent, respectively. However, it is important to note that only 2.1 and 11.2 percent of assessment area families reside in the low- and moderate-income tracts, respectively. Additionally, given the low percentages of the assessment area’s owner-occupied housing units that are located in low- and moderate-income census tracts; the opportunities for home mortgage lending within these census tracts is somewhat limited. PNC Bank, Delaware strives to serve individual customers by marketing products and services based on customer needs wherever they reside.

Refer to Table 2 for additional information relating to the bank’s assessment area.

<i>Table 2 – Demographic Information</i>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	175	5.1%	14.3%	58.9%	17.7%	4.0%
Population by Geography	666,168	2.6%	12.1%	65.9%	19.4%	0.0%
Owner-Occupied Housing by Geography	173,874	1.1%	9.3%	68.6%	21.0%	0.0%
Businesses by Geography	40,225	8.0%	10.4%	61.5%	19.9%	0.2%
Farms by Geography	1,343	0.5%	5.2%	81.8%	12.4%	0.0
Family Distribution by Income Level	176,925	17.2%	18.6%	25.8%	38.4%	0.0%
Distribution of Low and Moderate Income Families throughout Assessment Area Geographies	63,350	4.7%	17.9%	68.6%	8.8%	0.0%
Median Family Income (1990 U.S. Census)		\$40,617	Median Housing Value			110,250
HUD Adjusted Median Family Income for 2002		\$68,091	Unemployment Rate (1990			
Households Below Poverty Level		8.8%	Census)			2.1%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 1990 US Census and HUD updated MFI

Based on estimates by the Department of Housing and Urban Development (HUD), the HUD-adjusted Median Family Income (MFI) figures (the figures used to determine the income level for each geography) for MSA 9160 are \$69,000 for 2000, \$72,100 for 2001, and \$75,900 for 2002. The MFI figures for MSA 2190 are \$48,600 for 2000, \$50,400 for 2001, and \$52,100 for 2002. The MFI figures for the non-metropolitan area of the state for 2000, 2001 and 2002 are \$44,600, \$46,900 and \$49,700, respectively.

Unemployment rates for Delaware, as reported by the Bureau of Labor Statistics, are relatively low. As of December 2002, the unemployment rate was 3.0 percent, compared to 4.2 percent for the United States. The area’s largest employers include MBNA America Bank, E. I. Dupont de Nemours & Co., Inc., Christiana Care Health System and Dover Air Force Base, all employing more than 5,000 people, according to information available from Dun & Bradstreet.

According to information available from Dun and Bradstreet, 78.5 percent of businesses within the assessment area have revenues less than \$1 million. Additionally, 28,128, or 69.9 percent, of the businesses employ less than 20 people. These numbers indicate ample opportunities for lending to small businesses.

As part of the examination, information was obtained from three community contacts in order to gain a perspective on lending opportunities and the performance of financial institutions in helping to meet Delaware's credit and community development needs. Two of the contacts, made in conjunction with a recent CRA performance evaluation of a similarly situated institution, were with affordable housing agencies; one contact was made during this examination. The new contact was with an organization that is engaged in providing numerous social and housing development programs to improve the lives of the citizens in its service area.

The representatives of the affordable housing agencies noted that rising home prices over the last several years has made it difficult for low- and moderate-income families to purchase homes. One contact indicated that most of the area banks had first time homebuyer programs to help alleviate this situation. PNC Bank, Delaware has responded to the community's need for affordable housing by committing a significant volume of funds to various projects within its assessment area. Please refer to the Community Development Lending section of this evaluation for more information.

The third contact noted that technical expertise provided by banks in the form of board membership is an invaluable resource. The contact also noted that the number one obstacle for the housing clients in securing permanent mortgage financing is poor credit. They attribute this to decreasing income rather than a lack of responsibility. Unpaid medical bills and student loans are often the culprits; yet, clients don't understand that this will adversely affect their credit rating. As such, financial literacy training is crucial in helping low- and moderate-income individuals become homeowners. PNC Bank, Delaware recognizes these limitations as both technical expertise and financial literacy training are key ingredients of the bank's community development approach. This will be demonstrated later in the evaluation under the Service Test.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

### **Scope of the Evaluation**

The scope of the lending review will include the institution's home mortgage, small business and community development lending activity for 2000, 2001 and as of September 30, 2002. Home mortgage loans originated by the bank's affiliate, PNC Mortgage, during 2000 are also included in the analyses of the geographic and borrower distribution of loans. The institution did not collect data relating to consumer loans, nor are consumer loans considered to constitute a substantial majority of the bank's lending. As such, consumer loans are not included in the scope of the CRA Performance Evaluation. Additionally, the institution originated only two small farm loans during the evaluation period. Due the minimal number of small farm loans originated, this loan product was not included in the scope of the evaluation.

The institution's community development investment and grant activity will also be evaluated; as well as retail and community development services provided during the evaluation period.

## **LENDING TEST**

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

### **Lending Activity and Assessment Area Concentration**

Despite the decline in the bank's loan-to-deposit ratio, lending levels reflect excellent responsiveness to assessment area credit needs. The bank's market share of home mortgage loans originated and purchased inside the assessment area during 2000 at 5.0 percent by number represented the third largest market share of home mortgage loans in the assessment area. Wilmington Trust Company was first with a market share of 7.2 percent and Wells Fargo Home Mortgage was second with a market share of 5.8 percent.

The bank's market share of home mortgage loans originated and purchased inside the assessment area during 2001 at 4.8 percent by number represented the fourth largest market share of institutions operating in the area and the second largest market share of banks. Rounding out the top five lenders in the assessment area were Wells Fargo Home Mortgage with a market share of 8.9 percent, Chase Manhattan Mortgage (6.1 percent), Wilmington Trust Company (5.3 percent), and GMAC Mortgage (4.3 percent). A comparison of the market shares of home mortgage loans originated and purchased during 2000 to 2001 indicates that while the PNC Bank, Delaware's market share of home mortgage loans decreased somewhat; mortgage companies are offering more competition. As the two banks, Wilmington Trust Company and PNC Bank, Delaware were ranked first and third during 2000, two mortgage companies are now first and second and the respective banks are now third and fourth.

Based upon small business loan data reported pursuant to CRA data collection and reporting requirements, the bank's market share of small business loans originated and purchased inside the assessment area during 2000 at 3.3 percent by number represented the eighth largest market share of institutions operating in the area. However, the bank's market share of the dollar volume of small business loans at 9.5 percent represented the second largest market share. The top five financial institutions by market share by number of small business loans originated or purchased are: GE Capital Financial, Inc.; American Express Centurion; Capital One, F.S.B.; Wilmington Trust Company; and Advanta Bank Corporation; with market shares of 23.7, 18.1, 7.1, 7.1 and 6.4 percent, respectively. Wilmington Trust had the highest market share by dollar volume of small business loans originated and purchased at 27.1 percent during 2000.

Data available for 2001 shows that PNC Bank, Delaware's market share of small business loans by number improved to 6.4 percent, making it the sixth highest originator and purchaser of small business loans in the assessment area. The bank's market share of small business loans by dollar volume increased to 15.6 percent and its market rank was second. The top five financial institutions by market share by number of small business loans originated or purchased are: MBNA America, Delaware; GE Capital Financial, Inc.; Associates Capital Bank, Inc.; American Express Centurion, and Capital One, F.S.B. with market shares of 12.3, 11.9, 11.2, 9.6, and 8.5 percent, respectively. Wilmington Trust Company had a market share of 5.9 percent by number and a market rank of seventh. However, Wilmington Trust Company had the highest market rank and a 21.0 percent market share of the dollar amount of small business loans originated and purchased in 2001.

A review of the top five lenders revealed that while they originated more small business loans by number, the loans were in smaller amounts when compared to PNC Bank, Delaware. Specifically, during 2001 the average loan amount of the top five lenders was \$5,000 while the average loan amount for PNC Bank, Delaware was \$128,000. Subsequently, the top lenders by number had a much smaller market share of the dollar amount of small business loans originated and purchased. Specifically, the top five lenders by number had market share of 2.2, 0.9, 0.6, 1.1 and 0.5 percent, by dollar amount, respectively. Comparatively, PNC Bank, Delaware had a market share of 15.6 percent and Wilmington Trust Company had a market share of 21.0 percent. The average small business loan originated by Wilmington Trust Company was \$184,000.

The bank originated a substantial majority of home mortgage and small business loans inside the assessment area. Overall, 87.3 percent of loans originated and purchased during the evaluation period were from within the assessment area. The following table details the distribution of loans inside and outside the assessment area for the evaluation period.

**Table 3 – Distribution of Loans Inside and Outside of the Assessment Area**

Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>Home Mortgage</b>										
2000	1,542	70.3%	652	29.7%	2,194	\$49,573	23.4%	\$162,016	76.6%	\$211,589
2001	2,224	94.5%	129	5.5%	2,353	\$91,030	93.1%	\$6,747	6.9%	\$97,777
YTD 2002	1,276	96.4%	48	3.6%	1,324	\$68,341	95.6%	\$3,118	4.4%	\$71,459
<b>Subtotal</b>	<b>5,042</b>	<b>85.9%</b>	<b>829</b>	<b>14.1%</b>	<b>5,871</b>	<b>\$208,944</b>	<b>54.9%</b>	<b>\$171,881</b>	<b>45.1%</b>	<b>\$380,825</b>
<b>Small Business</b>										
2000	433	87.7%	61	12.3%	494	\$49,818	80.5%	\$12,087	19.5%	\$61,905
2001	1,080	91.0%	107	9.0%	1,187	\$138,651	88.2%	\$18,605	11.8%	\$157,256
YTD 2002	848	91.0%	84	9.0%	932	\$93,288	86.0%	\$15,212	14.0%	\$108,500
<b>Subtotal</b>	<b>2,361</b>	<b>90.4%</b>	<b>252</b>	<b>9.6%</b>	<b>2,613</b>	<b>\$281,757</b>	<b>86.0%</b>	<b>\$45,904</b>	<b>14.0%</b>	<b>\$327,661</b>
<b>Total</b>	<b>7,403</b>	<b>87.3%</b>	<b>1,081</b>	<b>12.7%</b>	<b>8,484</b>	<b>\$490,701</b>	<b>69.3%</b>	<b>\$217,785</b>	<b>30.7%</b>	<b>\$708,486</b>

Source: HMDA and CRA Disclosure Statements (2000, 2001), 2002 Loan Application Register and CRA Data Collection.

During 2000, 70.3 percent of home mortgage loans were originated and purchased inside the assessment area. Comparatively, 94.5 and 96.4 percent of home mortgage loans were originated and purchased inside the assessment area during 2001 and as of September 30, 2002. The lower percentage noted in 2000 is attributed the bank's prior practice of purchasing loans as a tool in managing the institution's interest rate risk. Many of the purchased loans were from outside the assessment area. For example, the bank reported a total of 523 home purchase loans during 2000, of which 481 were purchased from outside the assessment area. When the bank began its relationship with Washington Mutual in 2001, the practice of purchasing loans was discontinued. Subsequently, the percentage of loans originated inside the assessment area improved.

Very few home purchase loans were originated in 2001 and as of September 30, 2002, and the bulk of the mortgages are home refinance loans. Specifically, the bank originated and purchased 43 and 24 home purchase loans during 2001 and as of September 30, 2002; and 1,604 and 892 home refinance loans for the same time period. The high number of home refinance loans originated in 2001 was driven by low interest rates.

The CRA data collection and reporting requirements were changed for data submitted for loans originated and purchased during 2001. Specifically, institutions are now required to collect information about small business loans that it refinances or renews as originations. The increase in the number of small business loans originated and purchased since 2000 is

attributed to this change. Of the 1,080 small business loans originated inside the assessment area during 2001, 679 or 62.9 percent were renewals. Additionally, of the 848 loans originated inside the assessment area as of September 30, 2002, 588 or 69.3 percent were renewals.

**Geographic Distribution**

The geographic distribution of home mortgage loans reflects adequate penetration through the assessment area. The following table details the geographic distribution of loans originated inside the assessment area during the evaluation period.

**Table 4 – Distribution of Home Mortgage Loans by Income Category of the Census Tract**

<i>Census Tract Income Level</i>	<i>Aggregate Lending Data (% of #)</i>		<i>2000</i>		<i>2001</i>		<i>2002 Year- to- Date</i>		<i>Total</i>	
	<i>2000</i>	<i>2001</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	1.2%	0.7%	14	0.6%	9	0.4%	8	0.6%	31	0.5%
<i>Moderate</i>	9.1%	8.0%	171	7.2%	130	5.8%	90	7.1%	391	6.7%
<i>Middle</i>	68.5%	67.4%	1,753	74.0%	1,652	74.3%	941	73.7%	4,346	74.6%
<i>Upper</i>	21.1%	23.9%	431	18.2%	433	19.5%	237	18.6%	1,101	18.2%
<i>N/A</i>	0.1%	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b><i>Total</i></b>	<b><i>100%</i></b>	<b><i>100%</i></b>	<b><i>2,369</i></b>	<b><i>100%</i></b>	<b><i>2,224</i></b>	<b><i>100%</i></b>	<b><i>1,276</i></b>	<b><i>100%</i></b>	<b><i>5,869</i></b>	<b><i>100%</i></b>

*Source: HMDA Disclosure Statements (2000, 2001) Loan Application Register (2002).*

The total number of home mortgage loans originated during 2000 includes 1,542 and 827 loans originated by PNC Bank, Delaware and PNC Mortgage, respectively. The percentage of loans originated in low- and moderate-income census tracts during 2000 and 2001 is below aggregate percentages for similar time periods. However, the percentage of the number of loans originated in low- and moderate-income census tracts for year-to-date 2002 reflects an increasing trend. Specifically, the percentage of loans originated in low- and moderate-income census tracts during 2001 at 0.4 and 5.8, respectively, improved to 0.6 and 7.1 percent, respectively for year-to-date 2002.

As indicated under Description of the Assessment Area, opportunities for lending in low- and moderate-income census tracts are limited; particularly given the low owner-occupancy rate and the low percentage of families residing in the low- and moderate-income tracts. Additionally, competition for loans in low- and moderate-income census tracts is strong. In an effort to improve lending levels in the assessment area’s low- and moderate-income areas, PNC Bank, Delaware enhanced its direct mail strategy during the evaluation period. This is discussed in further detail under the Innovative and Flexible Lending comments later in the evaluation. A review of the distribution of the dollar volume of loans shown in Table 4 reflects similar results.

The geographic distribution of small business loans reflects good penetration throughout the assessment area. The following table details the geographic distribution of loans.

<i>Table 5 – Distribution of Small Business Loans by Income Category of the Census Tract</i>										
<i>Census Tract Income Level</i>	<i>Aggregate Lending Data (% of #)</i>		<i>2000</i>		<i>2001</i>		<i>2002 Year- to-Date</i>		<i>Total</i>	
	<i>2000</i>	<i>2001</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	3.5%	4.6%	22	5.1%	60	5.6%	40	4.7%	122	5.2%
<i>Moderate</i>	8.8%	10.0%	54	12.5%	160	14.8%	81	9.6%	295	12.5%
<i>Middle</i>	66.1%	63.0%	275	63.5%	649	60.1%	558	65.8%	1,482	62.8%
<i>Upper</i>	21.6%	22.4%	82	18.9%	210	19.4%	169	19.9%	461	19.5%
<i>N/A</i>	0.0%	0.0%	0	0.0%	1	0.1%	0	0.0%	1	0.0%
<i>Total</i>	<i>100%</i>	<i>100%</i>	<i>433</i>	<i>100%</i>	<i>1,080</i>	<i>100%</i>	<i>848</i>	<i>100%</i>	<i>2,361</i>	<i>100%</i>

Source: CRA Disclosure Statements (2000, 2001) CRA data collection (2002).

The percentage of loans originated in low- and moderate-income census tracts during 2000 and 2001 is above aggregate percentages for similar time periods. PNC Bank, Delaware originated 5.1 and 5.6 percent of small business loans in low-income census tracts in 2000 and 2001, respectively. Comparatively, information for 2000 and 2001 shows that 3.5 and 4.6 percent of small business loans reported by the aggregate were originated in low-income census tracts, respectively. The bank’s performance in moderate-income census tracts also compared favorably to aggregate data. Specifically, in 2000 12.5 percent of small business loans originated were in moderate-income census tracts, compared to 8.8 percent by the aggregate; in 2001 14.8 percent of small business loans were originated in moderate-income census tracts compared to 10.0 percent reported by the aggregate. A review of the distribution of the dollar volume of loans reflected in Table 5 revealed similar results.

**BORROWER CHARACTERISTICS**

The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among retail customers of different income levels and business customers of different sizes. Table 6 details the distribution of the bank’s home mortgage loans by borrower income originated or purchased during the evaluation period. For comparison purposes, aggregate information for 2000 and 2001 is also shown.

<i>Table 6 - Distribution of Home Mortgage Loans by Borrower Income</i>										
<i>Borrower Income Level</i>	<i>Aggregate Lending Data (% of #)</i>		<i>2000</i>		<i>2001</i>		<i>2002 Year- to-Date</i>		<i>Total</i>	
	<i>2000</i>	<i>2001</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	13.9%	9.8%	318	13.4%	230	10.3%	183	14.3%	731	12.5%
<i>Moderate</i>	22.7%	18.8%	579	24.4%	482	21.7%	274	21.5%	1,335	22.7%
<i>Middle</i>	23.1%	22.2%	597	25.2%	663	29.8%	367	28.8%	1,627	27.7%
<i>Upper</i>	28.9%	33.1%	812	34.3%	849	38.2%	452	35.4%	2,113	36.1%
<i>N/A</i>	11.4%	16.1%	63	2.7%	0	0.0%	0	0.0%	63	1.0%
<i>Total</i>	<i>100%</i>	<i>100%</i>	<i>2,369</i>	<i>100%</i>	<i>2,224</i>	<i>100%</i>	<i>1,276</i>	<i>100%</i>	<i>5,869</i>	<i>100%</i>

Source: HMDA Disclosure Statements (2000,2001) Loan Application Register (2002).

The percentage of loans originated to low- and moderate-income borrowers during 2000 and 2001 compares favorably to aggregate percentages for similar time periods. During 2000, 13.4 percent of home mortgage loans originated or purchased were to low-income borrowers, just slightly below the 13.9 percent reported by the aggregate. During 2001, the bank’s level of lending to low-income borrowers at 10.3 percent was slightly better than the aggregate at 9.8 percent. The bank’s level of lending to moderate-income borrowers consistently outperformed aggregate lenders during 2000 and 2001. The bank originated 24.4 and 21.7 percent of home mortgage loans to moderate-income borrowers during 2000 and 2001, respectively. Comparatively, 22.7 and 18.8 percent of home mortgage loans originated or purchased to moderate-income borrowers by the aggregate. Additionally, year-to-date 2002 performance indicates an increasing trend in the percentage of the number of loans originated to low-income borrowers, while the percentage of the number of loans originated to moderate-income borrowers is similar to 2001. An analysis of the distribution of the dollar volume of loans shown in Table 6 revealed similar results. This performance demonstrates management’s commitment to serving the home mortgage needs of the area’s low- and moderate-income individuals and families.

Prior to the sale of PNC Mortgage to Washington Mutual in 2001, the bank had dedicated Community Mortgage Consultants (CMCs) whose primary responsibility was to originate mortgage loans to low- and moderate-income borrowers. Several of the CMCs were recruited from community groups, which provided them the advantage of knowing the communities they were serving. The bank continued its commitment to meeting the home purchase needs of low- and moderate-income borrowers after the sale of the mortgage company with its marketing agreement with Washington Mutual. The bank now employs Community Housing Consultants (CHCs) to identify, prepare and refer home purchase loan prospects to Washington Mutual for origination of PNC’s Primary Access Mortgage products.

Additionally, the bank has also developed a set of products, the Basic Loan Products, for low- and moderate-income home improvement loan borrowers. Refer to Innovative and Flexible Loan Products for additional information relating to these loan products.

The following table details the distribution of small business loans by gross annual revenue of the business. The majority of small business loans were originated to businesses reporting gross annual revenues of \$1 million or less.

<b>Table 7 – Distribution of Small Business Loans by Gross Annual Revenues of Business</b>								
<b>Gross Annual Revenues (000s)</b>	<b>2000</b>		<b>2001</b>		<b>2002 Year-to-Date</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1,000</b>	261	60.3%	420	38.9%	396	46.7%	1,077	45.6%
<b>&gt; \$1,000</b>	168	38.8%	333	30.8%	232	27.4%	733	31.1%
<b>N/A</b>	4	0.9%	327	30.3%	220	25.9%	551	23.3%
<b>Total</b>	<b>433</b>	<b>100%</b>	<b>1,080</b>	<b>100%</b>	<b>848</b>	<b>100%</b>	<b>2,361</b>	<b>100%</b>

Source: CRA Disclosure Statements (2000, 2001), CRA data collection (2002).

As the table shows, there is a decrease in the percentage of loans originated to businesses reporting gross annual revenues of \$1 million and less and an increase in the percentage of loans with gross annual revenue reported as not applicable after 2000. Management indicated that revenue information was not reported for all of the small business loans that represented renewals during 2001 and as of September 30, 2002. In general, revenue information was not reported for small business loans that were automatically renewed if the loan amount was \$100,000 or less. The distribution of the bank’s loans originated to businesses reporting gross annual revenues of \$1 million and less during 2001 at 38.9 percent is similar to 2001 aggregate information, which shows that 41.4 percent of the small business loans originated in the assessment area were to businesses reporting gross annual revenues of \$1 million or less. Refer to Table 11a in Appendix E for additional details. A review of the distribution of the dollar volume of loans reflected in Table 7 revealed similar results.

An analysis of the distribution of loan size, as a proxy for the size of the business being financed was also conducted. This analysis would appear to be particularly helpful in evaluating the bank’s level of lending to small businesses, as the bank did not report revenue information for the loans that were renewed. The following table details the distribution of small business loans by loan amount.

<i>Table 8 – Distribution of Small Business Loans by Loan Size</i>										
<i>Loan Size (000s)</i>	<i>Similarly Situated Bank (%)</i>	<i>Aggregate Lending Data (% of #)</i>	<i>2000</i>		<i>2001</i>		<i>2002 Year-to-Date</i>		<i>Total</i>	
	<i>2001</i>	<i>2001</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>≤ \$100</i>	55.1	87.7	312	72.1	799	74.0	656	77.4	1,767	74.8
<i>&gt; \$100 ≤ \$250</i>	22.0	6.2	66	15.2	130	12.0	92	10.8	288	12.2
<i>&gt; \$250 ≤ \$1,000</i>	22.9	6.1	55	12.7	151	14.0	100	11.8	306	13.0
<b><i>Total</i></b>	<b>100</b>	<b>100</b>	<b>433</b>	<b>100</b>	<b>1,080</b>	<b>100</b>	<b>848</b>	<b>100</b>	<b>2,361</b>	<b>100</b>

*Source: CRA Analyzer, CRA Disclosure Statements (2000, 2001), CRA data collection (2002), and CRA Aggregate Data.*

Overall, the distribution of small business loans originated in amounts of \$100,000 or less at 74.8 percent compares favorably to the percentage of assessment area businesses that report gross annual revenues of \$1 million or less at 78.5 percent. Additionally, the bank’s performance compares favorably to that of another Delaware financial institution.

As explained in further detail under Innovative and Flexible Loan Products, the bank offers a full range of products and services tailored to meet the needs of small business borrowers.

**Community Development Lending**

The institution’s community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution’s community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

The institution is a leader in making community development loans inside the assessment area. PNC Bank, Delaware originated 12 community development loans totaling \$34.1 million inside the assessment area during the evaluation period. Specifically, five loans totaling \$21.7 million in 2000, two loans totaling \$7.7 million in 2001 and five loans totaling \$4.7 million as of September 30, 2002. The following table details the bank’s community development lending activity. The community development loans have not been reported as small business.

<i>Table 9 - Qualified Community Development Lending Activity During the Evaluation Period</i>		
<b>LOAN DESCRIPTION</b>	<b>NUMBER OF LOANS</b>	<b>DOLLAR VOLUME OF LOANS (000s)</b>
Multi-Family Affordable Housing Loans	8	\$13,846
Community Development Corporation	2	\$2,000
Economic Revitalization	2	\$18,235
<b>Grand Total</b>	12	\$34,081

*Source: CRA Disclosure Statements (2000,2001), CRA data collection (2002), and bank records.*

### *Multi-family Affordable Housing*

The following are examples of multi-family affordable housing projects financed by PNC Bank, Delaware during the evaluation period:

- The bank originated a \$2.4 million construction in June 2000 to complete the rehabilitation and conversion of a dilapidated 132-unit, six-building complex into a 112-unit complex for low- and moderate-income families. This Low-Income Housing Tax Credit project was done jointly with the Delaware State Housing Authority. PNC Bank, Delaware also provided the developer with a \$3.2 million bridge loan to finance the acquisition of the property.
- The bank originated a \$1.2 million construction loan in January 2002 to a single purpose entity that was formed to develop a 40-unit affordable housing project on a 3.36 acre parcel of land in Lewes, Sussex County, Delaware. The project consists of a three-story building containing 40 two-bedroom apartments for low-income elderly individuals. The building construction is complete and occupancy of the units began in January 2003. PNC Bank, Delaware also provided a \$86,000 unsecured letter of credit for the developer. The letter of credit serves as the required working capital reserve for the project.
- The bank provided \$7.0 million in funding for the construction of Section 8 housing in a low-income census tract in Wilmington, New Castle County. The 169 unit high-rise apartment building is designated for low-income elderly residents.
- The bank provided a \$1.4 million loan for the construction of 60 units of affordable rental housing for low-income individuals in Sussex County.

### *Community Development Corporation*

The institution has been a leader in supporting the efforts of a Delaware Multi-Bank Community Development Corporation (CDC). The CDC provides financing for affordable housing, urban renewal, and community investment projects and has offered tax exempt bond financing throughout the state. Since the CDC's inception in 1994, PNC Bank, Delaware has committed \$9.3 million to the organization's various loan funds. The bank's level of commitment is the tenth highest of the thirty-seven financial institutions participating in the fund. However, the bank is second, behind Wilmington Trust Company, for commercial banks.

To date, the CDC's efforts have produced 2,653 units of affordable housing and a 171-bed nursing home facility in Delaware. The CDC has also used member bank funds to finance the construction of a daycare center, a charter school, and improvements to a medical center. The medical center participates in a program that expands access to primary health care for homeless persons in Wilmington.

During the current evaluation period, the bank committed \$1.75 million to the third housing fund established in June 2002; and \$250,000 to the second community investment fund.

### *Economic Revitalization/Job Creation*

The bank originated a \$16.7 million loan in a moderate-income census tract (145.01) in the City of Newark, New Castle County in December 2000. The loan provided funds for environmental and asbestos clean-up and for the construction of commercial office space, a restaurant and rental housing. The project is located on a brownfield property and the site required considerable remediation due to industrial contamination. The 20 acre property stood vacant for several years. A computer firm that employs more than 300 individuals is the largest tenant in the property.

The following loans, while reported as small business are highlighted here, as they have community development attributes:

- The institution originated a \$600,000 commercial mortgage loan to a statewide non-profit agency that offers low- and moderate-income families and children counseling and services to improve parenting skills, educational activities and other social services. The organization is headquartered in New Castle County and this loan was used to fund the construction and permanent financing of a new facility in Sussex County.
- The bank originated a \$120,000 line of credit to an agency that is engaged in providing numerous social and housing development programs to improve the lives of the citizens in a low-income area in South Wilmington as well as at their satellite location in a moderate-income census tract in Middletown, Delaware. The agency provides daycare, youth programs, an alternative school for troubled youth, food closet, a state of the art technology center, crisis alleviation, weatherization for low- and moderate-income households, housing counseling and new housing development. The line of credit has been used by the agency as working capital for operations and is secured by a first lien position against the three story headquarters building.

Additionally, the institution renewed or extended nine loans totaling \$7.4 million to a Delaware Community Development Corporation during the evaluation period. The bank also has \$3.5 million outstanding in community development loans originated through the Community Development Corporation, prior to the evaluation period. Specifically, \$3.0 million outstanding of a \$3.2 million commitment in two separate housing funds, \$239,763 outstanding from a \$250,000 commitment in an urban renewal fund, and \$243,033 outstanding from a \$250,000 commitment in an community investment loan pool.

**Innovative and Flexible Loan Programs**

The bank uses flexible and innovative lending practices to serve assessment area credit needs. The following table summarizes the bank’s activities since the last evaluation.

<i>Table 10 - Innovative or Flexible Lending Practices</i>		
<i>PROGRAM</i>	<i>NUMBER OF LOANS</i>	<i>DOLLAR VOLUME OF LOANS (000s)</i>
<b>Residential Programs:</b>		
Primary Access Mortgage	113	\$9,900
<i>Total Residential Loans</i>	<i>113</i>	<i>\$9,990</i>
<b>Small Business Programs:</b>		
Government Sponsored	31	\$4,753
Delaware Capital Assistance Program	51	\$2,407
<i>Total Small Business Loans</i>	<i>82</i>	<i>\$7,160</i>
<b>Grand Total</b>	<b>195</b>	<b>\$17,150</b>

*Source: Bank Records*

*Home Mortgage Lending*

While the bank no longer originates home purchase loans directly, it maintains its commitment to serving the home purchase needs of low-and moderate-income individuals through a marketing agreement with Washington Mutual. The agreement calls for Washington Mutual to originate a set of affordable mortgage products in the name of PNC Bank. This product is a fixed rate 30-year term purchase money mortgage offered to low- and moderate-income homebuyers purchasing their first home. The mortgages feature down payments as low as 3 percent and a closing cost assistance grant of up to \$1,000. During 2001 and as of September 30, 2002, the bank originated 56 and 57 Primary Access Mortgage loans totaling \$4.7 and \$5.2 million, respectively.

The institution offers a Basic Loan Product exclusively for low- and moderate-income borrowers. The product allows for expanded credit criteria, extended terms, reduced minimum loan amounts and dedicated underwriting specialists. There are three Basic Loan Products that can be used for home improvement purposes, a home equity installment loan, an unsecured personal loan and a home equity credit line. Consumer lending product managers conducted training relating to the Basic Loan Product for all branch personnel in the branches located in low- and moderate-income geographies and those deemed to be critical to the bank's success in serving the low- and moderate-income segment.

The bank has implemented several strategies in order to serve the needs of the assessment area's low- and moderate-income individuals and families. For example, the institution provides a specialized underwriting process for applications received from low- and moderate-income applicants. The "High Touch" underwriting group is exclusively dedicated to the review of all HMDA-reportable loan applications received from low- and moderate-income applicants and particular attention is paid to potential declines. In some cases, additional information and clarification of factors is weighed prior to a final decision. Additionally, the bank enhanced its direct mail strategy to reach a larger percentage of individuals and families in low- and moderate-income census tracts. For example, the bank developed a model that included the zip codes of the assessment area's low- and moderate-income census tracts and targeted individuals living in these areas with various mail campaigns in an effort to increase lending in low- and moderate-income areas.

Based upon conversations with community activists and proprietary research, management ascertained a need for a product enhancement to better meet the home improvement needs of the area's low- and moderate-income homeowners. Bank research indicated that approximately 23 percent of home improvement loans originated to low- and moderate-income homeowners have an average loan size of \$5,000 or less. Formerly, the home equity installment loan minimum loan amount was \$5,000. In an effort to better serve low- and moderate-income borrowers, the bank introduced a home improvement loan product with a minimum loan size of \$1,000 in 2002.

During 2000, the bank participated in the following second mortgage assistance loan programs: Delaware State Housing Authority Second Mortgage Assistance Program, Delaware Housing Partnership, the City of Dover Community Development First Start Program, the New Castle County Down Payment of Settlement HELP Program, and the Wilmington Housing Partnership Low-Income Downpayment & Settlement Assistance Program. However, the volume of loans originated through the program is unknown.

### *Small Business Lending*

The institution offers a full range of products and services tailored to meet the credit needs of small businesses. The business banking segment maintains a small business sales force, a retail branch distribution network, and a small business call center with access 24 hours a day, 7 days a week. Service to individual communities is ensured through local marketing and sales teams, business centers, and through direct investment in community development corporations. Additionally, delivery of credit products includes innovative methods such as significant data management and sales lead generation, direct mail, and the use of the Internet to apply for credit.

The bank has also made a commitment to consistently offer timely delivery of credit and services to its customers.

The bank recently developed the business equity line of credit and the business equity installment loan. These credit products give small business customers the lowest interest rates and fees available while maximizing credit availability and the longest terms of the bank's credit products. The bank also offers small business borrowers the choice credit product which provides for flexible borrowing ability through a check-access line of credit in amounts as low as \$10,000 up to \$50,000. Minimal application requirements and the efficiency of credit scoring provide for convenient and rapid access to funds, often as soon as 24 hours.

The bank also offers small business loans through government sponsored programs. Specifically, the Government Sponsored Lending Group has the ability to quickly provide Small Business Administration (SBA) and other government credit enhancements to those applicants that do not meet standard underwriting criteria. PNC Bank, Delaware is currently the only institution using the Delaware Capital Assistance Program (DELCAP). DELCAP is offered by the State of Delaware's Economic Development Office. Other products offered by the Government Sponsored Lending Group are the SBA 7A Guaranty Loan Program, SBA Express Loan Program, SBA 504 Loan Program, United States Department of Agriculture Business and the Industry Guaranty Loan Program.

## **INVESTMENT TEST**

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity and community development needs; and 3) the degree to which the qualified investments are not routinely provided by private investors.

PNC Bank, Delaware has made an excellent level of qualified community development investments and grants. Table 11 illustrates the bank's qualified community development investment and grant activity since the previous evaluation totaling \$16.8 million, of which \$16.0 million is in qualified investments and \$792,000 is in grants and donations.

Total investments and grants represent 0.65 percent of total assets and 1.5 percent of total securities. The investments and donations directly benefit the bank's assessment area and/or a broader regional area that includes the bank's assessment area. Moreover, still outstanding from prior periods is 16 investments with book values of \$6.1 million as of November 30, 2002. Examples include \$2 million in Delaware State Housing Authority (DSHA) bonds, \$1 million in a venture capital fund, and \$1.8 million in DSHA mortgage revenue bonds.

<i>Table 11 – Qualified Investments</i>		
<b>DESCRIPTION</b>	<b>NUMBER</b>	<b>DOLLARS (000s)</b>
Government Mortgage Backed Securities	12	\$13,508
Investment in Small Business Investment Company	1	\$500
Investment in Financial Intermediaries	1	\$2,000
<b>Total Debt or Equity Investments</b>	<b>14</b>	<b>\$16,008</b>
Organizations engaged in affordable housing rehabilitation and construction, including multifamily rental housing	29	\$222
Non-Profit organizations serving low- and moderate housing or other community development needs	69	\$476
Organizations supporting activities that promote or sustain economic development, revitalization, or stabilization	17	\$94
<b>Total Qualified Grants/ Donations/In-Kind Contributions</b>	<b>115</b>	<b>\$792</b>
<b>Grand Total</b>	<b>129</b>	<b>\$16,800</b>

Source: Bank Records

The following are examples of investments and grants that demonstrate the bank's responsiveness to community development initiatives and opportunities:

- The bank has committed \$500,000 to Delaware Community Investment Corporation's (DCIC) Tax Credit Equity Fund V. DCIC is a multi-bank community development corporation whose purpose is to serve as a vehicle for community revitalization action through the financing of and investment in housing and related activities designed to address the needs of low- and moderate-income persons and areas. The equity funds were established as a means to allow Delaware banks (and other corporations) to invest equity in projects throughout Delaware that qualify for the Low Income Housing Tax Credit. As of December 31, 2002, approximately 57 percent of the \$50.5 million fund has been used.
- The bank also made a \$2.0 million investment in Anthem Capital II, LP, a Small Business Investment Company (SBIC). This fund assists small- to medium-sized businesses to secure venture capital for growth. All investments made by the fund will meet the size standards and other requirements SBIC. The Anthem investment is focused on the mid-Atlantic

region; however, positive consideration is given to this investment as it benefits a regional area that includes the institution's assessment area.

- The bank purchased \$13.5 million in mortgage backed securities guaranteed by FNMA and GNMA. Specifically, eight pools totaling \$7.5 million guaranteed by FNMA and four pools totaling \$6 million guaranteed by GNMA were purchased during the evaluation period. The investments are secured by 131 mortgages to low- and moderate-income individuals and families within the assessment area.

In addition to the qualified investments, PNC Bank, Delaware made 115 CRA-qualifying grants and donations to 65 organizations totaling \$792,153 during the evaluation period. The substantial number of organizations benefiting from these grants illustrates the bank's excellent responsiveness to credit and community economic development needs as well as its commitment to the many nonprofit organizations operating throughout the state.

Some of the grants represent on-going support of community development while others were made to support new projects being undertaken by various community development groups. One of the more notable grants was the \$330,000 donated to the United Way. The majority of organizations benefiting from this grant provide services to low- and moderate-income persons and areas in Delaware.

Another significant contribution was \$33,078 to the Wilmington Housing Partnership, which is a public/private partnership, designed to increase affordable housing in the City of Wilmington. In addition, the bank donated \$67,133 to the Wilmington Renaissance Corporation whose mission is to revitalize downtown Wilmington. PNC Bank, Delaware also donated \$45,717 to the National Council on Agricultural Life and Labor Research Fund, Inc. (NCALL), a non-profit organization that provides homeownership counseling, technical assistance to rental and farm labor projects, and homes for low-income families in Kent and Sussex Counties. Three other substantial grants were to Interfaith Housing Delaware, Inc.; Neighborhood House, Inc.; and the YWCA-Centers for Homeownership in the amounts of \$26,814, \$33,078, and \$32,756, respectively.

While none of the investments are particularly complex or innovative, the high dollar volume committed by the bank during the evaluation period is outstanding. For example, Wilmington Trust Company (WTC), a \$6.9 billion institution (as of March 31, 2002) in Delaware with an assessment area similar to PNC Bank, Delaware, also received an Outstanding rating in its Investment Test at its July 15, 2002 CRA performance evaluation. The bank extended \$19.3 million in qualified investments extended over a two-year evaluation period which represented 0.28 percent of total assets and 1.8 percent of its total securities portfolio.

## **SERVICE TEST**

### **Scope of Test**

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution'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 alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle- and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

### **Retail Banking Services**

#### **Accessibility of Delivery Systems**

PNC Bank Delaware's delivery systems are accessible to essentially all portions of the assessment area, including low- and moderate-income households. The locations of these offices penetrate low-, moderate-, middle-, and upper-income census tracts as shown in Table 12.

**Table 12 – Distribution of Bank Offices by Income Category of the Census Tract**

Census Tract Income Category	Census Tracts in Assessment Area		Households		Bank Offices by Tract Location	
	#	%	#	%	#	%
<b>Low</b>	9	5.1%	5,551	2.2%	1	2.6%
<b>Moderate</b>	25	14.3%	29,892	12.1%	2	5.3%
<b>Middle</b>	103	58.9%	165,622	67.0%	21	55.3%
<b>Upper</b>	31	17.7%	46,098	18.7%	14	36.8%
<b>Incomplete</b>	7	4.0%	0	0.0%		
<b>Total</b>	<b>175</b>	<b>100%</b>	<b>247,163</b>	<b>100%</b>	<b>38</b>	<b>100%</b>

*Source: 1990 U.S. Census and Bank Records..*

Including the main office, the bank operates 34 full-service branches and 4 limited-service branches at retirement communities in the state of Delaware. There are 28 offices located in New Castle County, 4 in Kent County, and 6 in Sussex County. Two of the 38 branches are located in Super G supermarket locations in New Castle County.

### **Alternative Delivery Systems**

PNC Bank, Delaware offers several alternative delivery systems for delivering retail banking services, all of which are readily accessible to low- and moderate-income households in its assessment area. With the bank’s extensive automated teller machine (ATM) network, customers can receive cash, make deposits, conduct transfers, and check balances. The bank operates 126 ATMs throughout the state in convenient places such as shopping malls, airports, grocery and convenience stores. Of the 126 ATMs, 77 are cash dispensing, 33 are full-service, and 16 are full-service/check cashing machines. The limited service ATMs are primarily located in Wawa convenience store chains. A popular feature of the Wawa ATMs is that fees are not charged. Additionally, drive-through facilities are available at 28 branches.

PNC Bank, Delaware offers a PNC Bank Check Card that allows customers to withdrawal cash, make deposits, transfer funds between accounts, obtain account balances, and pay for purchases anywhere that VISA is accepted. Purchases made with card are directly debited from the customer’s account. There is also a traditional debit card that offers the same features of check card, only without the access to accounts through VISA merchants. An additional convenience of using these two cards is that many retailers allow customers to receive cash back as part of the transaction. These alternative delivery systems provide convenient access to accounts without additional fees or the need to write a check.

PNC Bank's National Financial Services Center (NFSC) provides 24-hour a day, 365-day a year telephone banking service to customers and anyone else seeking information about bank products and services. Financial Services Consultants (FSC) are available 24 hours a day to offer account information such as balances and transaction histories; provide branch hours and locations, provide ATM locations, resolve account issues, process account changes, open deposit accounts and take loan applications.

In addition, AccountLink by Phone provides customers with 24-hour access to their accounts through an automated telephone system using a touch-tone phone. Customers can review account information and transfer funds between accounts. AccountLink by Phone is also thoroughly integrated with the NFSC. This allows customers access to FSCs any time during the call if questions or issues arise that cannot be addressed by the automated system.

Another delivery system is the Telephone Bill Pay service. PNC customers have 24-hour access to this service that enables them to select payment recipients, amounts of payment, and schedule dates for payments all through any touch-tone telephone.

PNC Bank Delaware also offers comprehensive online access. The first is via the bank's web site, [www.pncbank.com](http://www.pncbank.com). Through this site, customers and non-customers can obtain general information on products and services, inquire about branch locations or hours, locate the nearest ATM, request product brochures and applications, open deposit accounts, and apply for a loan. E-mails can also be sent to bank personnel via the web site to obtain answers to general questions. Secondly, PNC Bank Delaware provides internet account access called AccountLink by Web. Customers can access this through the main web site by entering their logon ID and personal identification number. AccountLink by Web allows customers to review account information including balances and transaction histories. Customers can also transfer funds between accounts and make payments on bank loans. Additionally, customers can establish Online Bill Pay and pay practically any bill online. Furthermore, AccountLink by Web allows customers to order checks, stop payments, and perform account maintenance such as address changes.

Furthermore, PNC Bank customers can have their payroll, Social Security, or other benefits payments directly deposited to their accounts. This service provides customers with immediate and safe access to their funds without ever having to make a trip to the bank branch. Recipients can easily verify deposits and review balances by phone, ATM, e-mail, or directly online with AccountLink by Web.

The alternative delivery systems offered by the bank enable all customers, including low- and moderate-income households, several effective methods to access account data and obtain information on the services and products offered by the bank.

## **Changes in Branch Locations**

One branch, located in a middle-income census tract, was closed since the last evaluation. No branches have been opened during the examination period. With 38 existing branches throughout the State, over 125 ATMs in the region, and comprehensive telephone and on-line banking services, PNC Bank, Delaware continues to be accessible to any individual, regardless of income or geography. As such, the changes have not adversely affected the accessibility of the bank's delivery systems.

## **Reasonableness of Business Hours and Services in Meeting the Assessment Area Needs**

Retail banking services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area or any group of individuals. Retail banking products are offered at all branch locations for customers, including low- and moderate-income individuals. In general, branches are open between 9 a.m. and 3 p.m. Monday through Thursday, with extended hours on Friday. The 28 branches with drive-through facilities offer extended hours as well. Additionally, 18 of the 38 banking offices offer Saturday hours. The supermarket branches are open between 10 a.m. and 7:30 p.m. weekdays and close at 5:30 p.m. on Saturdays and 4:00 p.m. on Sundays. Branch hours are considered convenient and comparable to other local financial institutions operating within the assessment area.

## **Community Development Services**

PNC Bank, Delaware is a leader in providing community development services. The bank operates with a full-time Community Consultant who is responsible for the bank's community development and CRA efforts in the State of Delaware. The Community Consultant is strongly supported by community development managers and the resources of its parent company. Community outreach efforts are an important part of the bank's delivery of services to its community. The various community development service initiatives utilized by PNC Bank, Delaware personnel directly impact future homeowners, small business owners, youth, and those with limited income.

During the evaluation period, the Community Consultant and other PNC staff have made contacts with representative from local community development corporations, government officials, charitable institutions, and other non-profit organizations to ascertain community development needs. To that end, the bank has participated in numerous community development service initiatives. Examples of these services include providing instruction and financial education to customers and non-customers to help them better manage money and achieve financial goals; serving on boards of nonprofit organizations that serve low- and moderate-income populations and areas, and that support small businesses; providing fundraising support to nonprofit organizations serving low- and moderate-income populations; and sponsoring Federal Home Loan Bank projects.

Refer to Table 13 for examples of the types of services provided by the bank since the previous evaluation. All the services meet the definition of community development and also relate to the provision of financial services as required by the regulation for consideration under the CRA.

**Table 13 – Community Development Services**

<b>Brief Service Description</b>	<b>Bank Sponsored Event, Program or Seminar</b>	<b>Technical Assistance or Director Involvement by Bank Employee</b>	<b>Bank Product or Service</b>
<p><i>Delaware Community Investment Corporation (DCIC):</i> Two staff members have been active volunteers at DCIC. The first served as a board member and member of the urban renewal loan fund committee. The second retired from the board after many years of service where she served as vice-president and chair of the finance committee. This individual is currently a member of the finance committee. DCIC provides funds for equity investment and permanent mortgages for statewide affordable housing development.</p>		X	
<p><i>Neighborhood House, Inc:</i> A PNC staff member serves as president of the board and chairs the executive committee of this comprehensive community-based organization serving New Castle County. The organization provides affordable housing development, housing counseling, and welfare-to-work programs exclusively to low- and moderate-income individuals. Another staff member provided affordable housing education to approximately 120 potential homeowners and clients of the organization during the evaluation period.</p>	X	X	
<p><i>YWCA Financial Literacy Programs:</i> Two staff members provide financial literacy training to low- and moderate-income individuals. The program covers topics such as budgeting, banking services, consumer rights/predatory lending, and future financial planning. Approximately 108 clients were reached through these seminars during the evaluation period.</p>	X		
<p><i>Wilmington Housing Authority (WHA) Hope VI Project:</i> This is a HUD sponsored project for the demolition of substandard public housing and the rebuilding on the site of rental and for-sale housing for low- and moderate-income homeowners. Two staff members have provided technical assistance by participating in the monthly task force meetings, which are organized to ensure success for the relocated tenants and the new homeowners. PNC also provided training on budgeting and steps toward homeownership to WHA tenants who</p>	X	X	

are interested in re-locating back to the site.			
<i>New Knollwood Civic Association, Inc:</i> PNC staff member serves on the Knollwood Revitalization Advisory Committee to provide technical assistance to help this low- and moderate-income community plan its transition for major redevelopment. Major initiatives include increasing homeownership rates, beautifying the neighborhood and providing social services to families and individuals in need.		X	
<i>The Parent Center Advisory Board:</i> A staff member sits on the board of this center which is examining poverty and education problems in Knollwood, a low- and moderate-income area. The group also provides support to help children become successful in school, to stay in school, and to graduate to productive life work.		X	
<i>PNC Homebuyer's Club:</i> The Homebuyer's Clubs provide an opportunity for members to understand the homebuying process and to confront and overcome poor financial issues. Approximately 250 individuals participated in these sessions during the evaluation period.			X
<i>PNC Community Development Community Housing Consultant (CHC):</i> The CHC was a position created as part of the marketing agreement with Washington Mutual. The CHC's role is to identify, prepare and refer prospects to Washington Mutual for origination of PNC's Primary Access Mortgage products. The CHC often provides counseling and training to potential homebuyers, the majority of whom are low- and moderate-income. The CHC is also responsible for partnering with the community-based organizations to which a PNC Foundation Homebuyer's Club grants were provided.			X
<i>School Education Program:</i> Jack Markell, State Treasurer, hosted an event with business leaders from PNC Bank, Delaware and elsewhere to seek advice on methods of providing financial literacy education in schools. Two staff members attended the seminar and contributed to the evolution of the financial literacy program currently being offered in the state.	X		
<i>School Savings Programs:</i> Bank staff members hold workshops on basic financial instruction for teens on utilizing financial products and services. School savings programs encourage the habit of savings for elementary school children. The recipients of the instruction are primarily low- and moderate-income and the	X		

schools chosen are located in low- and moderate-income census tracts.			
<i>Affordable Housing Counseling Seminars:</i> PNC staff member provides affordable housing and basic credit education to low- and moderate-income clients of the following community based and non-profit organizations: Victory Church in Christ, USDA, University of Delaware Fair Housing Focus Group, New Castle County Development Division, NCALL, Hockessin Community Center's First Time Homebuyer's Workshop, Friendship House, Community Housing Inc., City of Wilmington, Latin American Community Center, Rural Development Housing Fund, Genesis Health Care, and Habitat for Humanity.	X		
<i>Interfaith Housing:</i> This agency is a housing development and housing counseling services organization. A vice president serves on the leadership advisory board and in the past year, has acted as a member of the executive search committee when the former executive left to become the Secretary of Housing for the Delaware State Housing Authority.		X	
<i>Delaware Housing Coalition (DHC):</i> DHC is an advocacy agency for affordable rental and for sale housing in the state. A vice president sits on the board of this organization.		X	
<i>Claymont Renaissance Committee:</i> Claymont is a largely low- and moderate-income community in Northern New Castle County. A staff member serves on the task force, a group focused on economic development and revitalization of this distressed area along Philadelphia Pike.		X	
<i>Delaware State Housing Authority (DSHA):</i> DSHA is the statewide agency, which administers various housing funds and tax credits for affordable rental and for sale housing which benefits the low- and moderate-income population. The agency is also the provider of subsidized rental housing in Kent and Sussex Counties. A vice president sits on the board.		X	
<i>Delaware Federation of Housing Counselors:</i> The Federation of Housing Counselors is the umbrella group for the various HUD certified housing counseling agencies across the state. A bank representative acted as treasurer and helped plan the organization's annual fundraiser.	X	X	
<i>Coverdale Crossroads Consortium:</i> This consortium is comprised of bankers, and representatives from the DSHA, Sussex		X	

County, college, and non-profits groups that were convened by a PNC Bank, Delaware vice president to address the 35+ year problems of the residents of Coverdale Crossroads.			
<i>Children and Families First:</i> A staff member serves on the board of this statewide non-profit agency which offers low- and moderate-income families and children counseling and services to improve parenting skills, educational activities, and other social services.		X	
<i>Carelink of Delaware, Inc:</i> A staff member is the former board president and now sits on the advisory board of Carelink of Delaware, Inc. The organization works with low- and moderate-income disabled adults to provide support for the highest level of functioning and employment opportunities for those who are qualified.		X	
<i>Brandywine Resource Council, Inc:</i> Two staff members served on the planning committee of this organization. The Brandywine Resource Council, Inc. oversees the Claymont Community Center, where 30+ agencies offer social services to area residents. Services include low-cost or no-cost health care, psychiatric assistance, substance abuse treatment, mentoring and tutoring for school age kids, recreational activities for kids and adults, and community building events.		X	
<i>Small Business Development Resource Center:</i> Bank representatives provide technical assistance to this organization, which is located in Delaware's three counties. The organization provides assistance to prospective and small business owners relating to writing a business plan and knowing what owning your own business may mean. It also offers an extensive library and mentoring by experienced business people in the same line of work.		X	
<i>Scott Housing Development Corporation:</i> Staff members sit on the board of this organization, which is working to build new affordable housing in inner city Wilmington. Thus far, the organization has been successful in gaining site control and construction is underway for at least four units of new housing.		X	
<i>Public Allies:</i> A staff member sits on the board of this organization that works with young people and assigns them to work with nonprofits to learn about the needs in the communities and the work that nonprofits do.		X	
<i>Intrust:</i> This social venture capital firm, located in Wilmington, focuses on Delaware-based		X	

business initiatives that warrant venture capital investments. Intrust invests in housing and other more innovative businesses such as The Maine Event, which is a minority-owned business in a moderate-income area in downtown Wilmington. A vice president sits on the board of this organization.			
<i>Housing Jamboree:</i> Residential mortgage staff participated in the 2001 Housing Jamboree held in Southern Delaware. Representatives from other financial institutions, housing counseling agencies, realtors, contractors and credit reporting agencies also attended the event. The housing fair was marketed to first time homebuyers, potential buyers in homeownership counseling programs, and anyone considering refinancing, home improvements, or purchasing a new home.	X		
<i>Community Affairs Group of Delaware:</i> The CRA Officer participates in the monthly meetings of this group of CRA Officers. Meetings are held to ascertain community development needs in throughout Delaware.		X	
<i>Nehemiah Gateway, Inc:</i> Nehemiah Gateway CDC is the head of a task force organized to address the need for higher participation in the Earned Income Tax Credit Program (EITC). The task force works to ensure that individuals eligible to receive the tax credit file their returns accurately. Additionally, the group assists individuals with establishing a bank account for electronic filing. A staff member sits on the task force. This participation has resulted in PNC Bank, Delaware offering a free for one-year savings account, available at the time they file their tax return.		X	X
<i>WGM Ministries, Inc:</i> This is a non-profit agency in Coverdale Crossroads. The group assists at risk youth with activities geared toward staying in school and on a path toward achievement. A PNC Bank, Delaware staff member serves on the advisory board.		X	
<i>FHLB Affordable Housing Program:</i> The bank worked on an application on behalf of nonprofit organization for FHLB funding for affordable housing project located in Knollwood.		X	

Source: Bank Records

A few of the more significant types of community development services provided by the bank are detailed as follows:

During the evaluation period, the bank developed the Primary Access line of classes for individuals to become better educated on the management of their finances. The majority of participants are low- and moderate-income and referred from community partners such as local nonprofit organizations. The classes include:

- The Homebuyer's Club, which is a ten-session course that prepares individuals for the homeownership process.
- Primary Access Budgeting which teaches people how to use the Paycheck Planner, a tool that can be used to plan the timing of bill payments.
- Primary Access Saving and Investing which explains the difference between savings and investing, the importance of both, and the different types of products, and
- Primary Access Banking Basics which provides detailed instructions on how to manage banking accounts for those new to banking.

As part of the transition to launch the marketing agreement with Washington Mutual, PNC Bank, Delaware created and staffed the position of Community Housing Consultant (CHC). The CHC is responsible for partnering with community-based organizations and identifying, preparing, and referring prospects to Washington Mutual for origination of PNC's Primary Access Mortgage Products.

An initiative that demonstrates the bank's leadership in providing community development services is the bank's extensive work in Coverdale Crossroads. During the evaluation period, the bank's CHC has been working towards assisting this very poor, largely minority community located in rural Sussex County. In 2002, the bank organized and convened a group of interested parties to determine how to assess the needs of the community. Members of this consortium include the Delaware State Housing Authority; Sussex County Community Development; Banc One; First State Community Action, Inc; WGM, Inc.; Milford Housing Development Corporation; Delaware State University; and PNC Bank, Delaware. After several meetings, it was determined that a great need for community input was essential to having the community chart its path forward. As such, a community survey was developed that will be used as the basis for creating a strategic action plan to redevelop the community.

Another leadership initiative is one that the bank formed with Nehemiah Gateway CDC. Over the past two years, this new CDC has been focusing on increasing the awareness among low- and moderate-income residents about their eligibility for the Earned Income Tax Credit (EITC). The bank is the first financial institution in the nation to offer on-site free savings accounts to qualifying EITC taxpayers. The bank believes that by offering this service, they are reaching a segment of the community that does not have banking relationships.

## **COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

No substantive violations of the antidiscrimination laws were identified. Fair lending training is provided annually.



## **METROPOLITAN AREAS**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN WILIMINGTON-NEWARK, DELAWARE METROPOLITAN STATISTICAL AREA (MSA) 9160:**

This MSA covers the bank's activities in New Castle, County, Delaware. New Castle County is the largest and most metropolitan county in Delaware. This county accounts for the largest portion of the assessment area, representing 68.6 percent of area census tracts. PNC Bank, Delaware operates 28, or 73.7 percent, of its 38 branch offices in this county.

Of the 120 census tracts in New Castle County, 9 or 7.5 percent are low-income and 23 or 19.2 percent are moderate-income. Based upon these demographics, opportunities for lending in low- and moderate-income geographies is greatest in New Castle County. All of the assessment area's low-income census tracts are located in New Castle County and 23 of the 25, or 92.0 percent, of the area's moderate-income census tracts.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 9160, DELAWARE**

Consistent with the bank's operations in New Castle County, the majority of home mortgage and small business loans are originated MSA 9160. Of the 5,869 home mortgage loans originated or purchased during the evaluation period, 3,562 or 62.8 percent were in MSA 9160. Additionally, 1,607 or 68.1 percent of the 2,361 small business loans originated inside the assessment area were originated in MSA 9160. The geographic and borrower distribution of loans is consistent with the bank's overall performance.

The bank originated three loans totaling \$10.1 million that supported the development of affordable housing during the evaluation period in MSA 9160. Additionally, both community development loans that supported economic revitalization were originated in New Castle County. Lending conducted through the CDC supports community development initiatives throughout Delaware.

The bank's investment and service activities in MSA 9160 are consistent with its overall performance.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN DOVER, DELAWARE METROPOLITAN STATISTICAL AREA (MSA) 2190:**

This MSA covers the bank's activities in Kent County, Delaware. Kent County's 31 census tracts represent 17.7 percent of the assessment area. PNC Bank, Delaware operates 4 or 10.5 percent of its branches in Kent County. None of the county's 31 census tracts qualify as low-income and only 2 or 6.5 percent are moderate-income. There are limited opportunities for home mortgage lending in the moderate-income areas as they are comprised of an airforce base and a college campus, respectively.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 2190, DELAWARE:**

The bank originated 1,155 or 18.8 percent of all home mortgages originated or purchased during the evaluation period were in Kent County. While this percentage is almost twice the percentage of bank's branches located in Kent County, it is comparable to the percentage of assessment area census tracts at 17.7 percent. Additionally, 16.1 percent of the small business loans originated inside the assessment area were originated in Kent County.

The geographic distribution of home mortgage loans in moderate-income census tracts in Kent County is good; despite the limited opportunities for home mortgage lending in Kent County's moderate-income areas, During 2000, the bank originated two of the nine home improvement loans, and two of the fifteen home refinance loans originated in the county's moderate-income census tracts. During 2001, only four home improvement loans were originated in the county's moderate-income areas, PNC Bank, Delaware originated one of these loans. Additionally, the bank originated 3 of the 20 home refinance loans originated in Kent County during 2001. However, it is noted that the bank did not make any of the 21 home purchase loans originated in moderate-income census tracts during 2001.

The geographic distribution of home mortgage loans originated in moderate-income census tracts in Kent County is similar to aggregate percentages for 2000 and 2001. Specifically, the four loans originated in moderate-income census tracts in 2000 represented 0.9 percent of all loans originated by the bank and its affiliate compared to 1.0 percent by the aggregate. Additionally, the four loans originated in moderate-income census tracts at 0.9 percent, compared favorably to 2001 aggregate data at 0.7 percent.

The bank originated one small business loan in the county's moderate-income census tracts during the evaluation period. As indicated previously, there are limited opportunities for lending in the moderate-income areas. According to information reported pursuant to CRA data collection and reporting requirement, during 2001, only six small business loans were originated in these tracts

The borrower distribution of home mortgage loans is similar to the bank's overall performance, in that it compares favorably to aggregate data. The bank and its affiliates originated 10.2 and 19.9 percent of the number of home mortgage loans originated in Kent County during the evaluation period to low- and moderate-income borrowers, respectively. During 2001, 6.0 and

18.9 percent of home mortgage loans were originated to low- and moderate-income borrowers, respectively. Comparatively, 2001 aggregate data shows that 3.7 and 11.1 percent of home mortgage loans were originated to low- and moderate-income borrowers, respectively.

The bank originated 373 small business loans in Kent County during the period reviewed, of which, 184 or 51.3 percent were to businesses that reported gross annual revenues of \$1 million or less. This percentage is slightly higher when compared to the bank's overall performance, which shows that 45.6 percent of small business loans originated inside the assessment area were to businesses reporting gross annual revenues of \$1 million or less.

Community development lending conducted through the CDC supports community development initiatives throughout Delaware, including Kent County.

The bank's investment and service activities in MSA 9160 are consistent with its overall performance.

**NON-METROPOLITAN STATEWIDE AREAS<sup>1</sup>**

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN SUSSEX COUNTY, DELAWARE**

PNC Bank, Delaware operates 6 of its 28 branches or 15.8 percent, in Sussex County. Sussex County is the southernmost county in Delaware and is largely rural. The county's two major industries are agriculture and tourism. None of the county's 24 census tracts are low- or moderate-income census tracts, 18 or 75.0 percent are middle-income and 1 or 4.2 percent is upper-income. Additionally, five census tracts or 20.8 percent of the area's census tracts report NA.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SUSSEX COUNTY, DELAWARE:**

The bank originated or purchased 1,152 or 18.7 percent of all home mortgages in Sussex County during the evaluation period. This percentage is comparable to the bank's presence in the county. Additionally, 15.8 percent of the small business loans originated inside the assessment area were originated in Sussex County.

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<sup>1</sup>The discussion of an institution's CRA performance within a Non-Metropolitan statewide area is only required for institutions with branches in two or more states. A separate discussion of CRA performance within a Non-Metropolitan statewide area for intrastate banks that have branches in metropolitan and Non-Metropolitan areas is optional because the performance in the Non-Metropolitan areas has been reviewed and discussed in the overall evaluation of the institution. Examiners may wish to discuss in greater detail; however, the assessment areas within Non-Metropolitan areas that were reviewed using the examination procedures for intrastate banks with branches in metropolitan and Non-Metropolitan areas, or for intrastate banks with branches only in Non-Metropolitan areas.

The geographic distribution of home mortgage and small business loans in Sussex County is consistent with the demographics of the area. As the majority of the census tracts in Sussex County are middle-income, 97.5 and 94.1 percent of home mortgage and small business loans, respectively, were originated in middle-income census tracts during the evaluation period.

The distribution of home mortgage loans to low-income and moderate-income borrowers in Sussex County at 7.3 and 17.3 percent, respectively for the evaluation period is lower when compared to the 11.7 and 22.1 percentages for the entire assessment area. However, the bank's level of lending to low-income borrowers during 2001 at 8.5 percent is higher than that reported by the aggregate at 6.6 percent. The level of lending to moderate-income borrowers during 2001 is slightly less than the 19.7 percent reported by the aggregate.

The bank originated 381 small business loans in Sussex County during the period reviewed, of which, 186 or 52.2 percent were to businesses that reported gross annual revenues of \$1 million or less. Similar to the bank's performance in Kent County, this percentage is slightly higher when compared to the bank's overall performance, which shows that 45.6 percent of small business loans originated inside the assessment area was to businesses reporting gross annual revenues of \$1 million or less.

Five of the eight affordable housing/community development loans totaling \$3.8 million that were originated during the evaluation period were in Sussex County. Community development lending conducted through the CDC supports community development initiatives throughout Delaware, including Sussex County. Additionally, the bank's investment and service activities in MSA 9160 are consistent with its overall performance.

## APPENDIX A

**SCOPE OF EXAMINATION:**

<b>PNC Bank, Delaware</b>
<b>SCOPE OF EXAMINATION:</b> The scope of the evaluation included a review of the institution's lending, investment and service activities.
<b>TIME PERIOD REVIEWED:</b> 2000, 2001 and as of September 30, 2002.
<b>PRODUCTS REVIEWED:</b> Home mortgage, small business and community development loans.

<b>LIST OF AFFILIATES AND PRODUCTS REVIEWED</b>		
<b>AFFILIATE(S):</b>	<b>AFFILIATE RELATIONSHIP:</b>	<b>PRODUCTS REVIEWED:</b>
PNC Mortgage		Home mortgage

<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>
MSA 9160	On-site	1	
MSA 2190	On-site	0	
Sussex County, Non-MSA	On-site	0	

## APPENDIX B - GENERAL DEFINITIONS

### GEOGRAPHY TERMS

**Block:** Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

**Block Group:** Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

**Block Numbering Areas (BNAs):** Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural

classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

**Rural Area:** Territories, populations and housing units that are not classified as urban.

### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

### **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## APPENDIX C - INVESTMENT DEFINITIONS

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Qualified Investments:** A qualified investment is defined as any 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.

## **APPENDIX D - STANDARD PE LANGUAGE**

### **LENDING TEST**

#### **Scope of Test**

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

#### **Community Development Lending:**

##### **Performance Criteria**

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

#### **Innovative and Flexible Lending Practices:**

##### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

## **INVESTMENT TEST**

### **Scope of Test**

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment 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.

## **SERVICE TEST**

### **Scope of Test**

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution'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 alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

## APPENDIX E – STANDARDIZED CORE TABLES

### FFIEC Interagency Core CRA Public Evaluation Tables

The FFIEC has adopted a standard set of data tables, sequentially numbered 1-15, for use in every Large Bank CRA Public Evaluation. Certain tables have been excluded because the institution has not originated or purchased a significant number of loans in the relevant category during the period under review or did not elect to report consumer loan data. For example, the tables regarding small farm and multifamily lending were excluded since the bank originated very few or none of these loans during the review period. The inclusion of these loan products would not have impacted the analysis or ratings in any way.

#### **Table 1: Lending Volume**

This table presents the number and dollar amount of reportable loans origination by the institution over the entire evaluation period by assessment area.

#### **Table 2: Geographic Distribution of Home Purchase Loans**

#### **Table 3: Geographic Distribution of Home Improvement Loans**

#### **Table 4: Geographic Distribution of Home Mortgage Refinance Loans**

These tables compare the percentage distribution of the number of loans originated by the institution in low-, moderate-, middle-, and upper-income geographies to the percent distribution of owner-occupied housing units throughout the geographies.

#### **Table 6: Geographic Distribution of Small Loans to Businesses**

This table shows the percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated by the institution in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of businesses (regardless of revenue size) throughout those geographies.

#### **Tables 8: Borrower Distribution of Home Purchase Loans**

#### **Tables 9: Borrower Distribution of Home Improvement Loans**

#### **Tables 10: Borrower Distribution of Home Mortgage Refinance Loans**

These tables compare the percentage distribution of the number of loans originated by the institution to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each assessment area.

#### **Table 11: Borrower Distribution of Small Loans to Businesses**

This table compares the percentage distribution of the number of small loans (for businesses, less than or equal to \$1 million) originated by the institution to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less.

This table also presents the percentage distribution of the number of loans originated by the institution by loan size, regardless of the revenue size of the business.

**Table 14: Qualified Investments**

This table presents the number and dollar amount of qualified investments made by the institution in each assessment area. The table also presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period and the number and dollar amount of unfunded qualified investments.

**Table 15: Distribution of Branch Delivery System and Branch Openings/Closings**

This table compares the percentage distribution of the number of the institution's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population residing in each geography for each assessment area. The table also presents data on branch openings and closings in each assessment area.

PNC BANK DELAWARE

**Table 1. Lending Volume**

LENDING VOLUME												
Geography: PNC BANK, DELAWARE												
Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002												
MA/Assessment Area (2002):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Kent County (MSA 2190)	18.57	1,155	67,425	373	35,420	1	203	0	0	1,531	105,048	9.49
Sussex County (non-MSA)	18.66	1,152	56,085	381	40,819	0	0	5	3,800	1,538	100,704	10.78
New Castle County (MSA 9160)	62.77	3,562	179,623	1,607	205,468	1	100	7*	30,281	5,175	413,491	79.73

\*Some of the community development loans slotted under New Castle County also benefit Kent and Sussex Counties.

\* Loan Data as of September 30, 2002. Rated area refers to either the state or multi-state MA rating area.  
 \*\* The evaluation period for Community Development Loans is From January 01, 2000 to September 30, 2002.  
 \*\*\* Deposit Data as of September 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

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**Table 1. Other Products**

LENDING VOLUME		Geography: PNC BANK, DELAWARE						Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002						
MA/Assessment Area (2002):	% of Rated Area Loans (#) in MA/AA*	Total Optional Loans		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>														
Kent County (MSA 2190)	9.09	7	713	7	713	0	0	0	0	0	0	0	0	9.49
Sussex County (non-MSA)	19.48	15	1,308	15	1,308	0	0	0	0	0	0	0	0	10.78
New Castle County (MSA 9160)	71.43	55	5,286	55	5,286	0	0	0	0	0	0	0	0	79.73

\* Loan Data as of September 30, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 01, 2000 to September 30, 2002.

\*\*\* Deposit Data as of September 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table2a. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE														
Geography: PNC BANK, DELAWARE														
Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002														
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Kent County (MSA 2190)	162	21.60	0.00	0.00	0.00	0.00	97.82	92.59	2.18	7.41	0.00	0.00	91.60	8.33
Sussex County (non-MSA)	116	15.47	0.00	0.00	1.08	0.00	85.74	92.24	13.18	7.76	0.00	0.79	87.91	11.30
New Castle County (MSA 9160)	472	62.93	1.76	1.06	14.19	11.86	55.36	54.24	28.69	32.84	0.87	14.59	54.46	30.05

\* Based on 2001 Peer Mortgage Data: US and PR.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**Table 3a. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT														
Geography: PNC BANK, DELAWARE														
Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002														
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Kent County (MSA 2190)	307	18.64	0.00	0.00	0.00	0.00	97.82	97.07	2.18	2.93	0.00	0.00	96.47	3.36
Sussex County (non-MSA)	297	18.03	0.00	0.00	1.08	1.35	85.74	87.54	13.18	11.11	0.00	0.72	85.07	14.21
New Castle County (MSA 9160)	1,043	63.33	1.76	1.34	14.19	10.83	55.36	62.99	28.69	24.83	1.02	11.91	57.52	29.55

\* Based on 2001 Peer Mortgage Data: US and PR.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 4a. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE		Geography: PNC BANK, DELAWARE						Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002						
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Kent County (MSA 2190)	686	19.76	0.00	0.00	0.00	0.00	97.82	98.69	2.18	1.31	0.00	0.00	90.70	9.29
Sussex County (non-MSA)	739	21.28	0.00	0.00	1.08	0.81	85.74	90.12	13.18	9.07	0.00	0.65	87.99	11.36
New Castle County (MSA 9160)	2,047	58.96	1.76	0.59	14.19	10.36	55.36	62.24	28.69	26.82	1.30	10.65	53.82	34.23

\* Based on 2001 Peer Mortgage Data: US and PR.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 6a. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES														Geography: PNC BANK, DELAWARE				Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002			
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income*										
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Low	Mod	Mid	Upp							
<b>Full Review:</b>																					
Kent County (MSA 2190)	373	15.80	0.00	0.00	0.00	0.00	91.09	94.10	8.91	5.90	0.00	0.00	91.57	8.43							
Sussex County (non-MSA)	381	16.14	0.00	0.00	1.56	0.26	85.46	85.56	12.98	14.17	0.00	0.29	84.90	14.82							
New Castle County (MSA 9160)	1,607	68.06	12.60	7.60	16.02	18.31	45.93	50.12	25.29	23.97	7.06	15.27	49.22	28.45							

\* Based on 2001 Peer Small Business Data: US and PR.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2002).

**Table 8a. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: PNC BANK, DELAWARE					Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Kent County (MSA 2190)	162	21.60	17.77	8.13	19.38	16.25	24.38	18.75	38.48	56.88	4.04	12.56	18.12	65.27
Sussex County (non-MSA)	116	15.47	19.31	13.27	18.33	34.51	24.74	25.66	37.61	26.55	7.95	28.95	30.14	32.95
New Castle County (MSA 9160)	472	62.93	16.57	21.74	18.39	31.81	26.46	20.82	38.58	25.63	18.04	27.76	26.71	27.49

\* Based on 2001 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 5.33% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 9a. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT		Geography: PNC BANK, DELAWARE					Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002							
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Kent County (MSA 2190)	307	18.64	17.77	7.49	19.38	17.26	24.38	28.01	38.48	47.23	11.25	21.23	28.86	38.66
Sussex County (non-MSA)	297	18.03	19.31	14.14	18.33	18.52	24.74	25.59	37.61	41.75	12.89	24.86	24.31	37.94
New Castle County (MSA 9160)	1,043	63.33	16.57	16.87	18.39	21.67	26.46	30.30	38.58	31.16	18.12	24.59	30.04	27.26

\* Based on 2001 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 10a. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: PNC BANK, DELAWARE					Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002							
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Kent County (MSA 2190)	686	19.76	17.77	7.06	19.38	17.79	24.38	27.06	38.48	48.09	3.68	12.18	21.95	62.18
Sussex County (non-MSA)	739	21.28	19.31	8.13	18.33	18.29	24.74	26.69	37.61	46.88	6.88	17.40	29.24	46.47
New Castle County (MSA 9160)	2,047	58.96	16.57	12.75	18.39	26.64	26.46	30.43	38.58	30.18	11.90	24.26	29.63	34.21

\* Based on 2001 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.66% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table11a. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES									
Geography: PNC BANK, DELAWARE					Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Aggregate Lending Data*	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Kent County (MSA 2190)	373	15.80	80.15	49.87	80.16	10.19	9.65	3,477	1,288
Sussex County (non-MSA)	381	16.14	78.69	48.29	79.27	10.24	10.50	2,099	851
New Castle County (MSA 9160)	1,607	68.06	77.88	44.00	72.56	13.13	14.31	10,579	4,341

\* Based on 2001 Peer Small Business Data: US and PR.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 23.34% of small loans to businesses originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: PNC BANK, DELAWARE				Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total \$	#	\$(000's)
<b>Full Review:</b>									
Kent County (MSA 2190)	0	0	9	\$46	9	\$46	0.20	0	0
Sussex County (non-MSA)	0	0	7	\$18	7	\$18	0.08	0	0
New Castle County (MSA 9160)	0	0	69	\$325	69	\$325	1.42	0	0
Benefits Entire Assessment Area	16	\$6,100	44	\$16,411	60	\$22,511	98.30	0	0
Total	16	\$6,100	129	\$16,800	145	\$22,900	100.00	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				Geography: PNC BANK, DELAWARE				Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002									
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Kent County (MSA 2190)	9.49	4	11	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	0.00	98.15	1.85
Sussex County (non-MSA)	10.78	6	16	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	5.81	81.07	13.11
New Castle County (MSA 9160)	79.73	28	74	3.57	7.14	39.29	50.00	0	1	0	0	- 1	0	3.86	16.80	53.87	25.47

**Distribution of Branch and ATM Delivery System**

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM				Geography: PNC BANK, DELAWARE				Evaluation Period: JANUARY 1, 2000 TO SEPTEMBER 30, 2002									
MA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Rated Area Deposits in AA	# of Band Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Kent County (MSA 2190)	9.49	4	11	0.00	0.00	100.00	0.00	0	0.00	0	0	0	0	0.00	0.00	98.15	1.85
Sussex County (non-MSA)	10.78	6	16	0.00	0.00	100.00	0.00	0	0.00	0	0	0	0	0.00	5.81	81.07	13.11
New Castle County (MSA 9160)	79.73	28	74	3.57	7.14	39.29	50.00	0	0.00	0	0	0	0	3.86	16.80	53.87	25.47

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**New Castle County**

Demographic Information for Full Scope Area: New Castle County (MSA 9160)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	120	7.50	19.17	50.83	20.83	1.67
Population by Geography	441,946	3.86	16.80	53.87	25.47	0.00
Owner-Occupied Housing by Geography	112,040	1.76	14.19	55.36	28.69	0.00
Business by Geography	25,579	12.60	16.02	45.93	25.29	0.16
Farms by Geography	483	1.45	14.29	55.28	28.99	0.00
Family Distribution by Income Level	115,305	16.57	18.39	26.46	38.58	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	40,313	7.41	26.02	55.00	11.56	0.00
Median Family Income		44,332	Median Housing Value		119,531	
HUD Adjusted Median Family Income for 2002		75,900	Unemployment Rate (1990 US Census)		2.07%	
Households Below Poverty Level		7.61%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

**Sussex County**

Demographic Information for Full Scope Area: Sussex County (non-MSA)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	31	0.00	6.45	77.42	16.13	0.00
Population by Geography	110,993	0.00	5.81	81.07	13.11	0.00
Owner-Occupied Housing by Geography	27,448	0.00	1.08	85.74	13.18	0.00
Business by Geography	6,086	0.00	1.56	85.46	12.98	0.00
Farms by Geography	374	0.00	0.27	94.65	5.08	0.00
Family Distribution by Income Level	29,470	19.31	18.33	24.74	37.61	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,094	0.00	7.60	85.71	6.69	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		33,594 52,100 10.88%	Median Housing Value Unemployment Rate (1990 US Census)		80,196 2.27%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 US Census and 2002 HUD updated MFI

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**Kent County**

Demographic Information for Full Scope Area: Kent County (MSA 2190)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	24	0.00	0.00	75.00	4.17	20.83
Population by Geography	113,229	0.00	0.00	98.15	1.85	0.00
Owner-Occupied Housing by Geography	34,386	0.00	0.00	97.82	2.18	0.00
Business by Geography	8,560	0.00	0.00	91.09	8.91	0.00
Farms by Geography	486	0.00	0.00	98.35	1.65	0.00
Family Distribution by Income Level	32,150	17.77	19.38	24.38	38.48	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,943	0.00	0.00	98.79	1.21	0.00
Median Family Income		31,112	Median Housing Value		105,598	
HUD Adjusted Median Family Income for 2002		49,700	Unemployment Rate (1990 US		1.99%	
Households Below Poverty Level		11.2%	Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI