

# **PUBLIC DISCLOSURE**

June 20, 2016

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Bank of Delmarva  
Certificate Number: 08810

910 Norman Eskridge Highway  
Seaford, DE 19973

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
New York Regional Office

350 Fifth Avenue, Suite 200  
New York, New York 10118-0110

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated Outstanding. An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Bank of Delmarva's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and outstanding performance under the Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

### **The Lending Test is rated Satisfactory.**

- The average net loan-to-deposit ratio of 94.8 percent over the prior 13 quarters, and a more recent net loan-to-deposit (LTD) ratio of 92.5 percent as of March 31, 2016, is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- An analysis of the bank's lending reflects that a substantial majority (97.2 percent by number and 96.3 percent by dollar volume) of all loans were originated within the bank's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The distribution of small business lending reflects reasonable dispersion throughout the assessment area. The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels in the assessment area. The distribution of small business lending to businesses of different sizes is reasonable. The distribution of borrowers, given the demographics of the assessment area and the limited volume of loans, reflects reasonable penetration among individuals of different income levels, including low- and moderate-income.
- There were no complaints filed against the bank with respect to its CRA performance since the last evaluation on April 23, 2012; therefore, this factor did not affect the rating.

### **The Community Development Test is rated Outstanding.**

- The Bank of Delmarva's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

**Qualified Investments**

The Bank of Delmarva made 193 qualified investments totaling approximately \$3.6 million. The current level of qualified investments is higher than the previous evaluation, which noted that the bank had \$2.1 million in qualified investments. This total includes qualified equity investments of approximately \$3.5 million and donations of \$102,459. This dollar amount of equity investments equates to 0.7 percent of total assets and 8.3 percent of total securities.

Of the total dollar amount, 66.3 percent benefited efforts to improve or create affordable housing units. These investments demonstrate the bank’s responsiveness to affordable housing which is an identified community development need. The following table illustrates the bank’s community development investments by year and purpose.

Combined AA Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	1,000	1	131	1	1,000	0	0	0	0	3	2,131
02/11/2013-12/31/2013	4	392	25	17	3	2	0	0	0	0	32	411
2014	5	503	33	19	6	4	0	0	0	0	44	526
2015	11	505	53	23	8	5	0	0	0	0	72	533
YTD 2016	3	3	34	17	5	2	0	0	0	0	42	22
<b>Total</b>	<b>24</b>	<b>2,403</b>	<b>146</b>	<b>207</b>	<b>23</b>	<b>1,013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>193</b>	<b>3,623</b>

*Source: Bank Records*

Below are notable examples of the bank’s qualified investment activities:

- The bank carried over a \$1.0 million investment in a privately sponsored Small Business Administration (SBA) loan fund, which has been certified as a Community Development Entity by the U. S. Department of the Treasury. The goal of the fund is to promote economic development by helping to lower the cost of capital for U.S.-based businesses through investments in the federally guaranteed portion of SBA 7(a) loans. The bank’s investment is specifically allocated to an SBA loan in Sussex County, Delaware.
- The bank carried over a \$1.0 million investment and, in March 2015, added an additional \$500,000 investment to a CRA Qualified Investment Fund. The Fund allocated the bank’s investment as follows:
  - Two GNMA loan pools totaling \$952,680. The allocated pools each consist of four residential real estate loans within the bank’s assessment area made to low- and moderate-income borrowers.
  - A \$383,725 SBA loan that finances a small business located in a moderate-