

# FOURTH QUARTER 2019 EARNINGS

Delmarva Bancshares, Inc. (the “Company” or “Delmarva”), parent company for 1880 Bank, today reported net income of \$979 thousand or \$0.16 per share for the quarter ended December 31, 2019, compared to \$857 thousand or \$0.14 per share for the quarter ended September 30, 2019 and net income of \$1.2 million or \$0.19 per share for the fourth quarter of 2018. The Company’s net income for the twelve months ended December 31, 2019 was \$3.6 million or \$0.59 per share, compared to \$3.4 million or \$0.56 per share for the December 2018 twelve month period. Fully diluted tangible book value per share increased to \$7.81 at December 31, 2019 from \$7.71 and \$7.26 at September 30, 2019 and December 31, 2018, respectively.

Delmarva’s total assets were \$375 million at December 31, 2019, compared to \$378 million and \$378 million at September 30, 2019 and December 31, 2018, respectively. The decrease in total assets during the fourth quarter of 2019 is the result of transitory deposits made by several clients in the first quarter of 2019, and the outflow of those deposits during the period. Total loans were \$251 million at December 31, 2019, compared to \$248 million and \$256 million at September 30, 2019 and December 31, 2018, respectively. Total deposits were \$314 million at December 31, 2019, compared to \$316 million at September 30, 2019 and \$320 million at December 31, 2018. Non-interest bearing deposits represented 29% of total deposits at December 31, 2019. As of December 31, 2019, non-performing assets were 0.85% of total assets, compared to 0.89% at September 30, 2019 and 1.24% at December 31, 2018.

## Fourth Quarter Performance Highlights:

- Net income for the twelve months ended December 31, 2019 was \$3.6 million or \$0.59 per share, compared to \$3.4 million or \$0.56 per share for the December 2018 twelve month period. Net income was \$979 thousand or \$0.16 per share for the December 2019 quarter, compared to net income of \$857 thousand or \$0.14 per share for the September 2019 quarter and \$1.2 million or \$0.19 per share in the fourth quarter of 2018.
- Total loans were \$251 million at December 31, 2019, compared to \$248 million and \$256 million at September 30, 2019 and December 31, 2018, respectively.
- Non-performing assets were 0.85% of total assets at December 31, 2019, compared to 0.89% and 1.24% of total assets at September 30, 2019 and December 31, 2018, respectively.
- Total assets at December 31, 2019 were \$375 million versus \$378 million and \$378 million at September 30, 2019 and December 31, 2018, respectively.
- Cost of funds at the Bank was 0.45% for the three months ended December 31, 2019, compared to 0.46% and 0.37% for the three months ended September 30, 2019 and December 31, 2018, respectively.
- Net interest margin at the Bank was 3.66% for the three months ended December 31, 2019, compared to 3.68% and 4.02% for the three months ended September 30, 2019 and December 31, 2018, respectively.

- Return on assets (ROA) was 1.03% for the three months ended December 31, 2019, compared to 0.93% and 1.26% for the three months ended September 30, 2019 and December 31, 2018, respectively. ROA was 0.95% for the twelve months ended December 31, 2019, compared to 0.96% for the twelve months ended December 31, 2018.
- Return on equity (ROE) was 7.94% for the three months ended September 30, 2019, compared to 7.06% and 10.23% for the three months ended September 30, 2019 and December 31, 2018, respectively. ROE was 7.46% for the twelve months ended December 31, 2019, compared to 7.62% for the twelve months ended December 31, 2018.
- The efficiency ratio was 61.15% for the three months ended December 31, 2019, compared to 66.29% and 60.40% for the three months ended September 30, 2019 and December 31, 2018, respectively. The efficiency ratio was 66.25% for the twelve months ended December 31, 2019, compared to 67.37% for the twelve months ended December 31, 2018.
- Fully diluted tangible book value per share was \$7.81 at December 31, 2019, compared to \$7.71 and \$7.26 at September 30, 2019 and December 31, 2018, respectively.
- Liquidity remained strong and capital ratios exceeded all regulatory guidelines for a “well-capitalized” financial institution.

“I am pleased with the 2019 fourth quarter and yearend results. We continue to focus on our earnings through thoughtful expense reduction and keen management of the liability side of the balance sheet. We believe the Company is well positioned to take advantage of market opportunities,” said Kim C. Liddell, Delmarva’s Chairman and President.

# Delmarva Bancshares, Inc. and Subsidiaries

## Consolidated Balance Sheets

### December 31, 2019

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2019</u>
<b>Assets</b>			
Cash and due from banks	\$ 2,988,944	\$ 2,183,443	\$ 2,691,687
Interest-bearing deposits in other banks	48,282,938	49,055,712	54,451,597
Federal funds sold	845,731	583,038	796,468
Total cash and cash equivalents	<u>52,117,613</u>	<u>51,822,193</u>	<u>57,939,752</u>
Investment securities available-for-sale, at fair value	37,892,946	41,212,705	39,363,795
Investment securities held-to-maturity, at cost	4,639,747	-	4,620,439
Restricted stock, at cost	1,754,200	1,733,700	1,754,200
Total investment securities	<u>44,286,893</u>	<u>42,946,405</u>	<u>45,738,434</u>
Loans receivable, gross	250,521,301	255,910,995	248,221,262
Allowance for loan losses	(1,914,999)	(1,917,676)	(1,893,764)
Loans receivable, net of allowance for loan losses	<u>248,606,302</u>	<u>253,993,319</u>	<u>246,327,498</u>
Bank premises and equipment, net	5,112,802	5,167,235	5,191,821
Other real estate owned, net of valuation allowance	2,636,999	641,705	-
Accrued interest receivable	661,314	650,840	606,225
Cash surrender value of life insurance	14,500,925	14,209,783	14,451,919
Goodwill	1,852,120	1,852,120	1,852,120
Core Deposit Intangible	158,386	342,601	197,861
Deferred tax asset	4,357,900	5,448,767	4,693,624
Other assets	1,149,928	986,824	906,974
Total Assets	<u>\$ 375,441,182</u>	<u>\$ 378,061,792</u>	<u>\$ 377,906,228</u>
<b>Liabilities and Stockholders' Equity</b>			
Liabilities:			
Deposits:			
Non-interest-bearing	\$ 91,342,320	\$ 85,251,328	\$ 87,479,956
Interest-bearing	222,170,206	234,261,400	228,910,544
Total deposits	<u>313,512,526</u>	<u>319,512,728</u>	<u>316,390,500</u>
Accrued interest payable	238,616	131,691	167,895
Accrued benefit obligations	4,755,094	4,723,646	4,864,051
FRB/FHLB Borrowings	-	-	-
Noncumulative subordinated notes	4,100,000	4,100,000	4,100,000
Trust preferred	2,570,008	2,536,753	2,561,584
Other liabilities	767,340	1,001,324	928,178
Total Liabilities	<u>325,943,584</u>	<u>332,006,142</u>	<u>329,012,208</u>
Commitments and Contingent Liabilities	-	-	-
Stockholders' Equity:			
Preferred stock, \$.01 par value per share - 2,059,713 shares authorized, issued and outstanding	20,597	20,597	20,597
Common stock, \$.01 par value per share - 7,940,287 shares authorized, 3,968,043, 3,945,396 and 3,971,351 issued and outstanding, respectively	39,680	39,201	39,263
Additional paid-in capital	44,164,420	43,903,507	44,124,360
Retained earnings	4,860,181	2,487,420	4,182,956
Accumulated other comprehensive income	412,720	(395,075)	526,844
Total Stockholders' Equity	<u>49,497,598</u>	<u>46,055,650</u>	<u>48,894,020</u>
Total Liabilities and Stockholders' Equity	<u>\$ 375,441,182</u>	<u>\$ 378,061,792</u>	<u>\$ 377,906,228</u>

**Delmarva Bancshares, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**  
**December 31, 2019**

	Three Months Ended			Year to Date	
	December 31, 2019	December 31, 2018	September 30, 2019	December 31, 2019	December 31, 2018
<b>Interest and Dividend Income</b>					
Loans, including fees	\$ 3,021,666	\$ 3,146,286	\$ 2,927,066	\$ 11,966,375	\$ 12,040,407
Investment securities	262,591	274,797	270,201	1,069,037	882,766
Dividends on restricted stock	43,696	48,588	6,745	105,842	106,305
Interest on deposits in other banks	203,837	196,813	275,581	1,134,511	585,786
Interest on federal funds sold/due from banks	3,615	2,591	4,205	15,302	6,488
Total interest income	<u>3,535,405</u>	<u>3,669,075</u>	<u>3,483,798</u>	<u>14,291,067</u>	<u>13,621,752</u>
<b>Interest Expense</b>					
Deposits	353,807	284,413	352,659	1,321,645	960,454
Junior subordinated debt	47,191	50,260	49,828	198,957	188,337
Senior subordinated debt	73,344	73,344	73,345	290,986	290,986
Borrowed funds	7	-	5	21	3
Total interest expense	<u>474,349</u>	<u>408,017</u>	<u>475,837</u>	<u>1,811,609</u>	<u>1,439,780</u>
<b>Net interest income</b>	<b>3,061,056</b>	<b>3,261,058</b>	<b>3,007,961</b>	<b>12,479,458</b>	<b>12,181,972</b>
<b>Provision for Loan Losses</b>					
	<u>20,000</u>	<u>46,377</u>	<u>-</u>	<u>(8,322)</u>	<u>168,064</u>
Net interest income after provision for loan losses	<u>3,041,056</u>	<u>3,214,681</u>	<u>3,007,961</u>	<u>12,487,780</u>	<u>12,013,908</u>
<b>Noninterest Income</b>					
Service charges on deposit accounts	190,213	175,167	172,815	701,255	710,227
Other fees and commissions	281,199	178,347	168,099	824,599	654,799
Income on bank owned life insurance	49,007	60,068	60,630	291,143	309,228
Other income	13,588	269,156	15,949	57,683	356,013
Total noninterest income	<u>534,007</u>	<u>682,738</u>	<u>417,493</u>	<u>1,874,680</u>	<u>2,030,267</u>
<b>Noninterest Expense</b>					
Salaries and employee benefits	890,207	1,126,151	1,026,583	4,231,957	4,426,537
Premises and equipment	270,615	277,726	273,308	1,121,042	1,134,242
Data processing	507,287	434,469	488,871	1,933,350	1,653,973
OREO write-downs, net losses on sales and operating expenses	11,672	10,518	(7,505)	220,546	28,542
Professional fees	172,410	172,115	166,832	722,228	848,623
Director fees	60,000	60,000	60,000	240,000	240,000
Core deposit amortization	39,474	57,019	43,861	184,215	254,391
FDIC assessments	-	23,639	-	50,271	100,244
Regulatory examination assessments	10,650	10,287	10,650	42,600	41,148
Other insurance expense	34,872	31,922	35,478	142,435	121,826
Other expense	201,211	178,092	172,734	620,458	725,028
Total noninterest expense	<u>2,198,398</u>	<u>2,381,938</u>	<u>2,270,812</u>	<u>9,509,102</u>	<u>9,574,554</u>
Net Income before income taxes	<u>1,376,665</u>	<u>1,515,481</u>	<u>1,154,642</u>	<u>4,853,358</u>	<u>4,469,621</u>
Provision for Income Taxes	<u>397,887</u>	<u>356,696</u>	<u>297,307</u>	<u>1,275,683</u>	<u>1,091,774</u>
<b>Net Income</b>	<u>\$ 978,778</u>	<u>\$ 1,158,785</u>	<u>\$ 857,335</u>	<u>\$ 3,577,675</u>	<u>\$ 3,377,847</u>
<b>Net Income Per Common Share: Basic</b>	<u>\$ 0.16</u>	<u>\$ 0.19</u>	<u>\$ 0.14</u>	<u>\$ 0.59</u>	<u>\$ 0.56</u>
<b>Net Income Per Common Share: Diluted</b>	<u>\$ 0.16</u>	<u>\$ 0.19</u>	<u>\$ 0.14</u>	<u>\$ 0.59</u>	<u>\$ 0.56</u>
Average Common Shares Outstanding: Basic	<u>6,030,484</u>	<u>6,006,470</u>	<u>6,031,064</u>	<u>6,026,493</u>	<u>6,001,260</u>
Average Common Shares Outstanding: Diluted	<u>6,076,180</u>	<u>6,049,508</u>	<u>6,075,289</u>	<u>6,072,429</u>	<u>6,041,322</u>