

# FIRST QUARTER 2019 EARNINGS

Delmarva Bancshares, Inc. (the “Company” or “Delmarva”), parent company for 1880 Bank, today reported net income of \$835 thousand or \$0.14 per share for the quarter ended March 31, 2019, compared to \$1.2 million or \$0.19 per share for the quarter ended December 31, 2018 and net income of \$715 thousand or \$0.12 per share for the first quarter of 2018. Fully diluted tangible book value per share increased to \$7.39 at March 31, 2019 from \$7.26 and \$6.79 at December 31, 2018 and March 31, 2018, respectively.

Delmarva’s total assets were \$388 million at March 31, 2019, compared to \$378 million and \$350 million at December 31, 2018 and March 31, 2018, respectively. Total loans were \$250 million at March 31, 2019, compared to \$256 million and \$248 million at December 31, 2018 and March 31, 2018, respectively. Total deposits were \$329 million at March 31, 2019, compared to \$320 million at December 31, 2018 and \$295 million at March 31, 2018. Non-interest bearing deposits represented 26% of total deposits at March 31, 2019. As of March 31, 2019, non-performing assets were 1.26% of total assets compared to 1.28% at December 31, 2018 and 1.53% at March 31, 2018.

## First Quarter Performance Highlights:

- Net income was \$835 thousand or \$0.14 per share for the March 2019 quarter, compared to net income of \$715 thousand or \$0.12 per share in the first quarter of 2018.
- Total loans were \$250 million at March 31, 2019, compared to \$256 million and \$248 million at December 31, 2018 and March 31, 2018, respectively.
- Non-performing assets were 1.26% of total assets at March 31, 2019, compared to 1.28% and 1.53% of total assets at December 31, 2018 and March 31, 2018, respectively.
- Total assets at March 31, 2019 were \$388 million versus \$378 million and \$350 million at December 31, 2018 and March 31, 2018, respectively.
- Cost of funds at the Bank was 0.37% and 0.29% for the three months ended March 31, 2019 and 2018, respectively.
- Net interest margin at the Bank was 3.81% and 3.83% for the three months ended March 31, 2019 and 2018, respectively.
- Return on assets (ROA) was 0.87% and return on equity (ROE) was 7.18% for the three months ended March 31, 2019, compared to 0.82% and 6.61%, respectively, for the three months ended March 31, 2018.
- The efficiency ratio was 69.84% and 70.50% for the three months ended March 31, 2019 and 2018, respectively.

- Fully diluted tangible book value per share was \$7.39 at March 31, 2019 compared to \$7.26 and \$6.79 at December 31, 2018 and March 31, 2018, respectively.
- Liquidity remained strong and capital ratios exceeded all regulatory guidelines for a “well-capitalized” financial institution.

“Our first quarter performance is a nice start to 2019 and sets a solid pace for the rest of the year. The competitive landscape for deposit gathering remains intense though our team of banking professionals continue to develop quality relationships. We believe this is the best way to fund the bank and allows us to be opportunistic as we deepen market share” said Kim C. Liddell, Delmarva’s Chairman and President.

# Delmarva Bancshares, Inc. and Subsidiaries

## Consolidated Balance Sheets

### March 31, 2019

	March 31, 2019	March 31, 2018	December 31, 2018
<b>Assets</b>			
Cash and due from banks	\$ 2,802,805	\$ 2,679,553	\$ 2,183,443
Interest-bearing deposits in other banks	65,937,225	38,769,627	49,055,712
Federal funds sold	652,706	298,307	583,038
Total cash and cash equivalents	<u>69,392,736</u>	<u>41,747,487</u>	<u>51,822,193</u>
Investment securities available-for-sale, at fair value	40,472,886	31,819,756	41,212,705
Restricted stock, at cost	1,754,200	1,733,700	1,733,700
Total investment securities	<u>42,227,086</u>	<u>33,553,456</u>	<u>42,946,405</u>
Loans receivable, gross	249,652,413	247,999,943	255,910,995
Allowance for loan losses	(1,892,608)	(1,894,432)	(1,917,676)
Loans receivable, net of allowance for loan losses	<u>247,759,805</u>	<u>246,105,511</u>	<u>253,993,319</u>
Bank premises and equipment, net	5,226,246	5,088,495	5,167,235
Other real estate owned, net of valuation allowance	495,509	159,639	641,705
Accrued interest receivable	748,609	583,018	650,840
Cash surrender value of life insurance	14,267,920	13,965,330	14,209,783
Goodwill	1,852,120	1,852,120	1,852,120
Core Deposit Intangible	289,968	526,816	342,601
Deferred tax asset	5,076,418	6,124,952	5,448,767
Other assets	1,004,259	641,670	986,824
Total Assets	<u>\$ 388,340,676</u>	<u>\$ 350,348,494</u>	<u>\$ 378,061,792</u>
<b>Liabilities and Stockholders' Equity</b>			
Liabilities:			
Deposits:			
Non-interest-bearing	\$ 85,641,603	\$ 80,609,621	\$ 85,251,328
Interest-bearing	243,407,661	214,012,579	234,261,400
Total deposits	<u>329,049,264</u>	<u>294,622,200</u>	<u>319,512,728</u>
Accrued interest payable	145,353	93,931	131,691
Accrued benefit obligations	4,796,338	4,738,888	4,723,646
FRB/FHLB Borrowings	-	-	-
Noncumulative subordinated notes	4,100,000	4,100,000	4,100,000
Trust preferred	2,544,912	2,512,001	2,536,753
Other liabilities	659,126	834,248	1,001,324
Total Liabilities	<u>341,294,993</u>	<u>306,901,268</u>	<u>332,006,142</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, 3,979,569, 3,952,447 and 3,945,396 issued and outstanding, respectively	39,263	39,005	39,201
Additional paid-in capital	43,949,588	43,704,648	43,903,507
Retained earnings (deficit)	3,022,600	125,251	2,487,420
Accumulated other comprehensive income	13,635	(442,275)	(395,075)
Total Stockholders' Equity	<u>47,045,683</u>	<u>43,447,226</u>	<u>46,055,650</u>
Total Liabilities and Stockholders' Equity	<u>\$ 388,340,676</u>	<u>\$ 350,348,494</u>	<u>\$ 378,061,792</u>

# Delmarva Bancshares, Inc. and Subsidiaries

## Consolidated Statements of Operations

### March 31, 2019

	Three Months Ended		
	March 31, 2019	March 31, 2018	December 31, 2018
<b>Interest and Dividend Income</b>			
Loans, including fees	\$ 2,995,154	\$ 2,948,373	\$ 3,146,286
Investment securities	271,009	175,910	274,797
Dividends on restricted stock	6,557	3,855	48,588
Interest on deposits in other banks	368,604	120,959	196,813
Interest on federal funds sold/due from banks	3,451	745	2,591
Total interest income	<u>3,644,775</u>	<u>3,249,842</u>	<u>3,669,075</u>
<b>Interest Expense</b>			
Deposits	285,022	215,322	284,413
Junior subordinated debt	50,700	41,727	50,260
Senior subordinated debt	71,750	71,750	73,344
Borrowed funds	5	3	-
Total interest expense	<u>407,477</u>	<u>328,802</u>	<u>408,017</u>
<b>Net interest income</b>	<u>3,237,298</u>	<u>2,921,040</u>	<u>3,261,058</u>
<b>Provision for Loan Losses</b>			
	<u>(28,322)</u>	<u>45,201</u>	<u>46,377</u>
Net interest income after provision for loan losses	<u>3,265,620</u>	<u>2,875,839</u>	<u>3,214,681</u>
<b>Noninterest Income</b>			
Service charges on deposit accounts	169,357	203,181	175,167
Other fees and commissions	158,701	169,621	178,347
Income on bank owned life insurance	58,137	64,775	60,068
Other income	14,041	3,112	269,156
Total noninterest income	<u>400,236</u>	<u>440,689</u>	<u>682,738</u>
<b>Noninterest Expense</b>			
Salaries and employee benefits	1,165,926	1,104,439	1,126,151
Premises and equipment	286,112	285,661	277,726
Data processing	457,787	405,420	434,469
OREO write-downs, net losses on sales and operating expenses	255,294	5,842	10,518
Professional fees	185,466	186,576	172,115
Director fees	60,000	60,000	60,000
Core deposit amortization	52,633	70,176	57,019
FDIC assessments	25,094	26,277	23,639
Regulatory examination assessments	10,650	10,287	10,287
Other insurance expense	36,301	30,407	31,922
Other expense	5,324	185,074	178,092
Total noninterest expense	<u>2,540,587</u>	<u>2,370,159</u>	<u>2,381,938</u>
Net Income before income taxes	<u>1,125,269</u>	<u>946,369</u>	<u>1,515,481</u>
Provision for Income Taxes	<u>289,834</u>	<u>231,030</u>	<u>356,696</u>
<b>Net Income</b>	<u>\$ 835,435</u>	<u>\$ 715,339</u>	<u>\$ 1,158,785</u>
<b>Net Income Per Common Share: Basic</b>	<u>\$ 0.14</u>	<u>\$ 0.12</u>	<u>\$ 0.19</u>
<b>Net Income Per Common Share: Diluted</b>	<u>\$ 0.14</u>	<u>\$ 0.12</u>	<u>\$ 0.19</u>
Average Common Shares Outstanding: Basic	<u>6,010,424</u>	<u>5,983,952</u>	<u>6,006,470</u>
Average Common Shares Outstanding: Diluted	<u>6,052,627</u>	<u>6,015,575</u>	<u>6,049,508</u>