

## SECOND QUARTER 2019 EARNINGS

Delmarva Bancshares, Inc. (the “Company” or “Delmarva”), parent company for 1880 Bank, today reported net income of \$906 thousand or \$0.15 per share for the quarter ended June 30, 2019, compared to \$835 thousand or \$0.14 per share for the quarter ended March 31, 2019 and net income of \$772 thousand or \$0.13 per share for the second quarter of 2018. The Company’s net income for the six months ended June 30, 2019 was \$1.7 million or \$0.29 per share, compared to \$1.5 million or \$0.25 per share for the June 2018 six month period. Fully diluted tangible book value per share increased to \$7.57 at June 30, 2019 from \$7.39 and \$6.93 at March 31, 2019 and June 30, 2018, respectively.

Delmarva’s total assets were \$370 million at June 30, 2019, compared to \$388 million and \$344 million at March 31, 2019 and June 30, 2018, respectively. The decrease in total assets during the second quarter of 2019 is the result of temporary deposits made by several clients over the fourth and first quarters of 2018 and 2019, respectively, and the outflow of those deposits during the period. Total assets grew year over year by 8%. Total loans were \$249 million at June 30, 2019, compared to \$250 million and \$253 million at March 31, 2019 and June 30, 2018, respectively. Total deposits were \$310 million at June 30, 2019, compared to \$329 million at March 31, 2019 and \$288 million at June 30, 2018. Total deposits increased year over year by 8%. Non-interest bearing deposits represented 27% of total deposits at June 30, 2019. As of June 30, 2019, non-performing assets were 0.91% of total assets compared to 1.26% at March 31, 2019 and 1.58% at June 30, 2018. For the first time in more than ten years, the Company held no other real estate owned (“OREO”).

### Second Quarter Performance Highlights:

- Net income was \$906 thousand or \$0.15 per share for the June 2019 quarter, compared to net income of \$772 thousand or \$0.13 per share in the second quarter of 2018. Net income for the six months ended June 30, 2019 was \$1.7 million or \$0.29 per share, compared to \$1.5 million or \$0.25 per share for the June 2018 six month period.
- Total loans were \$249 million at June 30, 2019, compared to \$250 million and \$253 million at March 31, 2019 and June 30, 2018, respectively.
- Non-performing assets were 0.91% of total assets at June 30, 2019, compared to 1.26% and 1.58% of total assets at March 31, 2019 and June 30, 2018, respectively.
- Total assets at June 30, 2019 were \$370 million versus \$388 million and \$344 million at March 31, 2019 and June 30, 2018, respectively.
- Cost of funds at the Bank was 0.42% and 0.30% for the three months ended June 30, 2019 and 2018, respectively.
- Net interest margin at the Bank was 3.83% and 3.92% for the three months ended June 30, 2019 and 2018, respectively.

- Return on assets (ROA) was 0.97% and return on equity (ROE) was 7.65% for the three months ended June 30, 2019, compared to 0.89% and 7.04%, respectively, for the three months ended June 30, 2018. ROA was 0.92% and ROE was 7.41% for the six months ended June 30, 2019, compared to 0.86% and 6.83%, respectively, for the six months ended June 30, 2018.
- The efficiency ratio was 67.62% and 69.48% for the three months ended June 30, 2019 and 2018, respectively.
- Fully diluted tangible book value per share was \$7.57 at June 30, 2019 compared to \$7.39 and \$6.93 at March 31, 2019 and June 30, 2018, respectively.
- Liquidity remained strong and capital ratios exceeded all regulatory guidelines for a “well-capitalized” financial institution.

“I am pleased with the second quarter earnings and financial performance of the Company. Our team continues to deliver high quality service without sacrificing prudent credit underwriting and risk management practices,” said Kim C. Liddell, Delmarva’s Chairman and President.

# Delmarva Bancshares, Inc. and Subsidiaries

## Consolidated Balance Sheets

### June 30, 2019

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>March 31, 2019</u>
<b>Assets</b>			
Cash and due from banks	\$ 3,966,071	\$ 3,435,565	\$ 2,802,805
Interest-bearing deposits in other banks	43,727,938	22,762,768	65,937,225
Federal funds sold	721,596	382,994	652,706
Total cash and cash equivalents	<u>48,415,605</u>	<u>26,581,327</u>	<u>69,392,736</u>
Investment securities available-for-sale, at fair value	40,612,985	35,457,186	40,472,886
Investment securities held-to-maturity, at cost	4,421,093	-	-
Restricted stock, at cost	1,754,200	1,733,700	1,754,200
Total investment securities	<u>46,788,278</u>	<u>37,190,886</u>	<u>42,227,086</u>
Loans receivable, gross	248,651,784	252,762,872	249,652,413
Allowance for loan losses	(1,893,304)	(1,824,392)	(1,892,608)
Loans receivable, net of allowance for loan losses	<u>246,758,480</u>	<u>250,938,480</u>	<u>247,759,805</u>
Bank premises and equipment, net	5,239,089	5,247,896	5,226,246
Other real estate owned, net of valuation allowance	-	648,905	495,509
Accrued interest receivable	765,691	671,670	748,609
Cash surrender value of life insurance	14,391,289	14,090,900	14,267,920
Goodwill	1,852,120	1,852,120	1,852,120
Core Deposit Intangible	241,722	482,468	289,968
Deferred tax asset	4,752,366	5,896,132	5,076,418
Other assets	<u>1,201,205</u>	<u>767,395</u>	<u>1,004,259</u>
Total Assets	<u>\$ 370,405,845</u>	<u>\$ 344,368,179</u>	<u>\$ 388,340,676</u>
<b>Liabilities and Stockholders' Equity</b>			
Liabilities:			
Deposits:			
Non-interest-bearing	\$ 83,421,087	\$ 82,559,172	\$ 85,641,603
Interest-bearing	226,408,167	205,199,510	243,407,661
Total deposits	<u>309,829,254</u>	<u>287,758,682</u>	<u>329,049,264</u>
Accrued interest payable	140,441	99,390	145,353
Accrued benefit obligations	4,869,031	4,769,971	4,796,338
FRB/FHLB Borrowings	-	-	-
Noncumulative subordinated notes	4,100,000	4,100,000	4,100,000
Trust preferred	2,553,188	2,520,159	2,544,912
Other liabilities	792,359	893,343	659,126
Total Liabilities	<u>322,284,273</u>	<u>300,141,545</u>	<u>341,294,993</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, 3,971,351, 3,947,088 and 3,979,569 issued and outstanding, respectively	39,263	39,513	39,263
Additional paid-in capital	44,045,935	43,763,354	43,949,588
Retained earnings	3,627,174	897,695	3,022,600
Accumulated other comprehensive income	388,603	(494,525)	13,635
Total Stockholders' Equity	<u>48,121,572</u>	<u>44,226,634</u>	<u>47,045,683</u>
Total Liabilities and Stockholders' Equity	<u>\$ 370,405,845</u>	<u>\$ 344,368,179</u>	<u>\$ 388,340,676</u>

**Delmarva Bancshares, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**  
**June 30, 2019**

	Three Months Ended			Year to Date	
	June 30, 2019	June 30, 2018	March 31, 2019	June 30, 2019	June 30, 2018
<b>Interest and Dividend Income</b>					
Loans, including fees	\$ 3,022,489	\$ 2,919,669	\$ 2,995,154	\$ 6,017,643	\$ 5,868,042
Investment securities	265,236	188,501	271,009	536,245	364,411
Dividends on restricted stock	48,844	47,632	6,557	55,401	51,487
Interest on deposits in other banks	286,489	145,692	368,604	655,093	266,651
Interest on federal funds sold/due from banks	4,031	1,260	3,451	7,482	2,005
Total interest income	<u>3,627,089</u>	<u>3,302,754</u>	<u>3,644,775</u>	<u>7,271,864</u>	<u>6,552,596</u>
<b>Interest Expense</b>					
Deposits	330,157	220,082	285,022	615,179	435,404
Junior subordinated debt	51,238	46,968	50,700	101,938	88,695
Senior subordinated debt	72,547	72,547	71,750	144,297	144,297
Borrowed funds	4	-	5	9	3
Total interest expense	<u>453,946</u>	<u>339,597</u>	<u>407,477</u>	<u>861,423</u>	<u>668,399</u>
<b>Net interest income</b>	<u>3,173,143</u>	<u>2,963,157</u>	<u>3,237,298</u>	<u>6,410,441</u>	<u>5,884,197</u>
<b>Provision for Loan Losses</b>	<u>-</u>	<u>28,600</u>	<u>(28,322)</u>	<u>(28,322)</u>	<u>73,801</u>
Net interest income after provision for loan losses	<u>3,173,143</u>	<u>2,934,557</u>	<u>3,265,620</u>	<u>6,438,763</u>	<u>5,810,396</u>
<b>Noninterest Income</b>					
Service charges on deposit accounts	168,870	170,421	169,357	338,227	373,602
Other fees and commissions	216,600	146,986	158,701	375,301	316,607
Income on bank owned life insurance	123,369	125,572	58,137	181,506	190,347
Other income	14,105	37,894	14,041	28,146	41,006
Total noninterest income	<u>522,944</u>	<u>480,873</u>	<u>400,236</u>	<u>923,180</u>	<u>921,562</u>
<b>Noninterest Expense</b>					
Salaries and employee benefits	1,149,241	1,090,111	1,165,926	2,315,167	2,194,550
Premises and equipment	291,007	288,475	286,112	577,119	574,136
Data processing	479,405	381,558	457,787	937,192	786,978
OREO write-downs, net losses on sales and operating expenses	(38,915)	1,294	255,294	216,379	7,136
Professional fees	197,520	250,124	185,466	382,986	436,700
Director fees	60,000	60,000	60,000	120,000	120,000
Core deposit amortization	48,247	65,791	52,633	100,880	135,967
FDIC assessments	25,177	25,302	25,094	50,271	51,579
Regulatory examination assessments	10,650	10,287	10,650	21,300	20,574
Other insurance expense	35,784	29,554	36,301	72,085	59,961
Other expense	241,189	190,331	5,324	246,513	375,405
Total noninterest expense	<u>2,499,305</u>	<u>2,392,827</u>	<u>2,540,587</u>	<u>5,039,892</u>	<u>4,762,986</u>
Net Income before income taxes	<u>1,196,782</u>	<u>1,022,603</u>	<u>1,125,269</u>	<u>2,322,051</u>	<u>1,968,972</u>
Provision for Income Taxes	<u>290,655</u>	<u>250,159</u>	<u>289,834</u>	<u>580,489</u>	<u>481,189</u>
<b>Net Income</b>	<u>\$ 906,127</u>	<u>\$ 772,444</u>	<u>\$ 835,435</u>	<u>\$ 1,741,562</u>	<u>\$ 1,487,783</u>
<b>Net Income Per Common Share: Basic</b>	<u>\$ 0.15</u>	<u>\$ 0.13</u>	<u>\$ 0.14</u>	<u>\$ 0.29</u>	<u>\$ 0.25</u>
<b>Net Income Per Common Share: Diluted</b>	<u>\$ 0.15</u>	<u>\$ 0.13</u>	<u>\$ 0.14</u>	<u>\$ 0.29</u>	<u>\$ 0.25</u>
Average Common Shares Outstanding: Basic	<u>6,033,773</u>	<u>6,010,965</u>	<u>6,010,424</u>	<u>6,022,163</u>	<u>5,995,795</u>
Average Common Shares Outstanding: Diluted	<u>6,080,709</u>	<u>6,046,786</u>	<u>6,052,627</u>	<u>6,067,928</u>	<u>6,031,212</u>