



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

July 26, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Bank of Delmarva, N.A.
Charter Number 23037
910 Norman Eskridge Highway
Seaford, Delaware 19973**

**Office of the Comptroller of the Currency
1025 Connecticut Avenue, N.W. - Suite 708
Washington, D.C. 20036**

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.

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 **The Bank of Delmarva, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 26, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

OVERALL PERFORMANCE

INSTITUTION'S CRA RATING: This institution is rated “**SATISFACTORY.**”

The primary factors supporting the bank's overall rating include:

- # An excellent record of lending to borrowers of different incomes and businesses of different sizes;
- # The geographic distribution of loans is reasonable;
- # A substantial majority of loans representing 92% of the number and 86% of the dollars of loans are originated within the assessment areas; and,
- # The loan to deposit ratio of 65% is reasonable.

STATE OF MARYLAND

INSTITUTION'S CRA RATING: This institution is rated “**SATISFACTORY.**”

The primary factors supporting the bank's rating for *Maryland* include:

- # An excellent record of lending to borrowers of different incomes and businesses of different sizes;
- # The geographic distribution of loans within the Maryland assessment area is reasonable; and,
- # A substantial majority of loans representing 91% of the number and 92% of the dollar volume of loans are originated within the assessment area.

STATE OF DELAWARE

INSTITUTION'S CRA RATING: This institution is rated “**SATISFACTORY.**”

The primary factors supporting the bank's rating for *Delaware* include:

- # An excellent record of lending to borrowers of different incomes and businesses of different sizes; and,
- # A substantial majority of loans representing 92% of the number and 79% of the dollar volume of loans are originated within the assessment area.

DESCRIPTION OF INSTITUTION

The Bank of Delmarva, N.A. (BDNA) is a wholly owned subsidiary of Delmar Bancorp, a single bank holding company, headquartered in Seaford, Delaware. As of March 31, 1999, the bank's total assets were \$157 million, gross loans were \$91 million, and total deposits were \$143 million. Lending activities are centered in commercial real estate and residential real estate loans, comprising 60% of gross loans. The bank offers a full range of loan products and deposit services, with emphasis on small business loans.

BDNA serves the community from eight office locations situated in Wicomico County, Maryland and Sussex County, Delaware. In general, branch locations are full service, offering drive-up service, Saturday hours, and proprietary 24-hour ATMs. In addition, several offsite ATM's are available in the local area. Customer service is further enhanced by 24-hour telephone banking. There is strong competition from other community banks, regional bank, thrifts, credit unions, and other non-bank financial institutions which have multi-office locations in the area.

BDNA has no impediments, legal or otherwise, which would hinder their efforts to help meet the credit needs of the bank's assessment areas.

DESCRIPTION OF ASSESSMENT AREA

BDNA has defined its assessment area as Wicomico County, Maryland and the eastern and southeastern portions of Sussex County, Delaware. Both counties are adjacent bordering a state line. The bank's assessment area is not situated within a Metropolitan Statistical Area (MSA). The assessment area complies with the legal requirements of CRA and does not arbitrarily exclude low- or moderate-income areas. According to 1990 Census Bureau data, the population of the assessment area is 104,248, with 58,377 in Maryland and 45,871 in Delaware.

Table I indicates the breakdown of block numbering area (BNA) income and family income characteristics for the Maryland portion (Wicomico County) of the assessment area. For Maryland, the 1990 Census Bureau and the 1998 Housing and Urban Development Agency (HUD) median family income levels are \$35,426 and \$44,100, respectively.

Table I

WICOMICO COUNTY, MD ASSESSMENT AREA CHARACTERISTICS				
			**Number of	
Low Income	0	0%	2,901	18%
Moderate Income	1	9%	2,834	18%
Middle Income	7	64%	3,696	23%
Upper Income	3	27%	6,515	41%
TOTAL	11	100%	15,964	100%

*\$35,426 = 1990 block numbering area (BNA) median income

**\$44,100 = 1998 updated median family income

Table II indicates the breakdown of census tract income and family income characteristics for the Delaware portion (Sussex County) of the assessment area. For Delaware, the 1990 Census Bureau and the 1998 Housing and Urban Development Agency (HUD) median family income levels are \$31,532 and \$40,200, respectively.

Table II

SUSSEX COUNTY, DE ASSESSMENT AREA CHARACTERISTICS				
	*Number of		**Number of	
Low Income	0	0%	2,355	18%
Moderate Income	0	0%	2,392	19%
Middle Income	7	100%	3,188	25%
Upper Income	0	0%	4,903	38%
TOTAL	7	100%	12,838	100%

*\$31,532 = 1990 census tract median income

**\$40,200 = 1998 updated median family income

Area economic conditions are considered good and unemployment is at low levels. The major employment sectors existing within the assessment area are retail trade and service industries. Area major employers are Peninsula Regional Medical Center, Perdue Farms, and Salisbury State University. Management has identified small business loans, rental property lending, and residential mortgages, especially for affordable housing, as the primary credit needs within BDNA's assessment area. Similar credit needs were also identified through our discussions with members of a local housing authority and economic development committee.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

BDNA's loan to deposit ratio is reasonable and commensurate with its size, competition, available resources, lending activities, as well as the demographics of the assessment area. The loan to deposit ratio averaged 65% over the last ten quarters. BDNA's ratio is impacted by purchased deposits arising from branch acquisitions in September, 1997. Therefore, it is below the 80% average for similarly situated banks within the assessment area. Since the acquisitions, the ratio has continually improved. As of March 31, 1999, BDNA's loan to deposit ratio is 63%.

Lending in Assessment Area (Wicomico County, MD and Sussex County DE Combined)

A substantial majority of the bank's lending activity is within its assessment area. We tested and relied on management reports for the period of 6/30/97 through 6/30/99. As illustrated in Table III(a), 92% of the number and 86% of the dollar volume of loan originations are within the assessment area.

Table III (a)

Total Loan Originations						
	Total Loan Originations		Within the Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
Business	1,555	53,836	1,469	94%	45,934	85%
Residential	124	6,869	113	91%	6,200	90%
Consumer	789	7,451	679	86%	6,273	84%
Total	2,468	68,156	2,261	92%	58,407	86%

Lending in Assessment Area (Wicomico County, MD)

A substantial majority of the bank's Maryland lending activity is within its assessment area. As reflected in Table III(b), 91% of the number and 92% of the dollar volume of loans originated in Maryland are within Wicomico County.

Table III (b)

Maryland Loan Originations						
	Total Loan Originations		Within the Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
Business	590	28,502	559	95%	26,482	93%
Residential	54	3,039	50	93%	2,824	93%
Consumer	458	4,346	389	85%	3,627	83%
Total	1,102	35,887	998	91%	32,933	92%

Lending in Assessment Area (Sussex County, DE)

A substantial majority of the bank's Delaware lending activity is within its assessment area. As reflected in Table III(c), 92% of the number and 79% of the dollar volume of loans originated in Delaware are within the portion of Sussex County that comprises the bank's assessment area.

Table III ©

Delaware Loan Originations						
	Total Loan Originations		Within the Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
Business	965	25,334	910	94%	19,452	77%
Residential	70	3,830	63	90%	3,376	88%
Consumer	331	3,105	290	88%	2,646	85%
Total	1,366	32,269	1,263	92%	25,474	79%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes - (Wicomico County, MD and Sussex County, DE Combined)

BDNA has an excellent record of lending to borrowers of different incomes and to businesses of different sizes. Our analysis included a combination of 40 consumer loans and 40 business loans. As illustrated in Table IV(a), 68% of the number and 67% of the dollar volume of loans sampled were extended to low- or moderate-income borrowers. In addition, 97% of the dollar volume of loans sampled were to small businesses. Small businesses are defined as those with gross annual revenues of one million dollars or less.

Table IV(a)

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS (COMBINED)				
Combined 1998 HUD Median Family Income \$42,583	#	%	\$(000s)	%
	Low	14	35%	78
Moderate	13	33%	169	46%
Middle	6	15%	50	14%
Upper	7	17%	70	19%
TOTAL	40	100%	367	100%
LENDING TO BUSINESSES OF DIFFERENT SIZES (COMBINED)				
Revenue Ranges	\$1 Million or less		Greater than \$1 Million	

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS (COMBINED)								
	#	%	\$(000s)	%	#	%	\$(000s)	%
Business Loan Sample	31	78%	2,021	97%	9	22%	68	3%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes - (Wicomico County, MD)

BDNA has a strong record of lending to borrowers of different incomes and business of different sizes in the bank's assessment area situated in Wicomico County, Maryland. As illustrated in Table IV(b), 60% of the number and 56% of the dollar volume of loans sampled were extended to low- or moderate-income borrowers. In addition, 98% of the dollar volume of loans sampled were to small businesses.

Table IV(b)

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS (WICOMICO COUNTY)								
Maryland 1998 HUD Median Family Income \$44,100	#	%	\$(000s)		%			
	Low	8	40%	43		25%		
Moderate	4	20%	52		31%			
Middle	4	20%	34		20%			
Upper	4	20%	40		24%			
TOTAL	20	100%	169		100%			
LENDING TO BUSINESSES OF DIFFERENT SIZES								
Revenue Ranges	\$1 Million or less				Greater than \$1 Million			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Business Loan Sample	18	90%	1,546	98%	2	10%	37	2%

**Lending to Borrowers of Different Incomes and Businesses of Different Sizes -
(Sussex County, DE)**

BDNA has a strong record of lending to borrowers of different incomes and business of different sizes in the bank's assessment area situated in Sussex County, Delaware. As illustrated in Table IV(c), 75% of the number and 77% of the dollar volume of loans sampled were extended to low- or moderate-income borrowers. In addition, 94% of the dollar volume of loans sampled were to small businesses.

Table IV©

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS (SUSSEX COUNTY)								
Delaware 1998 HUD Median Family Income \$40,200	#		%		\$ (000s)		%	
	Low	6		30%		35		18%
Moderate	9		45%		117		59%	
Middle	2		10%		16		8%	
Upper	3		15%		30		15%	
TOTAL	20		100%		198		100%	
LENDING TO BUSINESSES OF DIFFERENT SIZES								
Revenue Ranges	\$1 Million and less				Greater than \$1 Million			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Business Loan Sample	13	65%	475	94%	7	35%	31	6%

Geographic Distribution of Loans

The geographic distribution of loans is reasonable. Within the bank's assessment area, there is only one designated moderate-income census tract/BNA situated in Wicomico County, Maryland. There are no low-income census tract/BNA designations. We found 6% of the number and 11% of the dollar volume of loans are distributed within this one moderate-income BNA. Due to the nominal residential loan activity, we relied only on commercial and consumer installment loan originations.

Response to Complaints

No complaints relative to CRA performance were received since the prior examination.

Compliance with Antidiscrimination Laws

No substantive violations involving illegal discrimination or disparate treatment were noted during the concurrent Fair Lending examination.