DELMAR BANCORP

Annual Report

December 31, 2016

DELMAR BANCORP
AND SUBSIDIARIES
SELECTED FINANCIAL DATA

At year end:		2016	2015	2014
Total assets		$ 512,367,907	$ 483,591,917	$ 447,970,005
Loans receivable, net		424,077,145	393,153,247	378,066,900
Investment securities		48,345,417	31,693,529	33,746,796
Federal funds sold		1,262,322	9,735,562	1,384,699
Demand and NOW deposits		177,300,080	155,715,954	138,571,471
Savings and time deposits		256,182,857	256,841,653	242,159,995
Stockholders' equity		46,181,505	43,320,312	45,113,435
Common equity per share		5.62	5.30	4.90
For the year:				
Total income		23,820,488	22,987,471	23,258,064
Total expenses		19,802,761	19,092,755	19,748,981
Net income (loss)		4,017,727	3,894,716	3,509,083
Basic earnings (loss) per share		0.489	0.474	0.321
Basic earnings (loss) per share, excluding intangibles		0.489	0.482	0.329
Key ratios:				
Yield on earning assets		4.43%	4.53%	4.60%
Net interest income		18,078,746	17,403,294	16,347,383
Return on average assets		0.81%	0.84%	0.81%
Return on average equity		8.98%	8.81%	8.16%
Average equity to average assets		8.99%	9.49%	9.95%
Tier I risk-based capital	(Bank)	11.74%	11.45%	11.73%
Total risk-based capital	(Bank)	13.00%	12.71%	12.96%
Leverage capital ratio	(Bank)	9.38%	9.17%	9.60%
(See Note 15)				
Number of branch offices		10	10	10
Number of administrative offices		2	2	2
Number of employees		120	115	110
outstanding shares		8,219,576	8,174,317	8,116,066
weighted average outstanding shares		8,209,667	8,136,536	8,116,066

March 20, 2017

Dear Shareholders:

Delmar Bancorp and its primary subsidiary, The Bank of Delmarva, concluded another successful year in 2016. Delmar Bancorp had net income of $4.0 million compared to income of $3.9 million the prior year. Asset growth was $28.9 million or 6.0%. Asset growth was centered in both the securities and loan portfolios. The securities portfolio grew by $16.6 million and the loan portfolio grew by $30.9 million. The growth was funded by a reduction in cash and overnight investments as well as an increase in deposit account balances of $20.9 million. The Bank's tax equivalent net interest margin remained in the 4% range throughout the year. Credit quality of the Bank's loan portfolio was stable. Cash dividends totaling $573,771 were paid to common stock shareholders of Delmar Bancorp in 2016.

Long serving Holding Company and Bank Board member, Paul H. Mylander, retired from both of our Boards at year end 2016. Paul had a long and distinguished career in banking and he joined our Boards after he retired from Delaware National Bank. Paul lives in Lewes, Delaware and he helped us establish a banking presence in eastern Sussex County, which is the most dynamic market in which we do business. Paul's leadership and local knowledge will be missed on our Boards and we are grateful for his years of service.

Another dynamic market for us is eastern Worcester County, including Ocean City, Ocean Pines and West Ocean City. I am pleased to report that we will open the Bank's eleventh branch office in West Ocean City in May of this year. The new branch is designed to have more self-service options compared to our existing locations but it will also be fully staffed with capable bankers with whom customers can meet face-to-face for their depositing and lending needs. We will also provide a unique service for resort area merchants who have significant cash and coin pick-up needs at this new branch.

Late in 2016 our Bank opened a new Loan Production Office (LPO) in Rehoboth Beach, Delaware. That office is headed by veteran banker, Jim Barr. Jim came on board with several other seasoned bankers who collectively have years of experience lending to small and mid-sized businesses in our resort markets of Sussex and Worcester counties. We expect that a significant amount of the Bank's loan and deposit growth will come from these vibrant markets and that our new hires will be instrumental in that growth.

There seems to be a greater sense of optimism since the Presidential election. At least our stock markets are indicating that something positive is going to happen. The current administration is focused upon economic growth which is a welcome change from the last eight years. A combination of reduced regulation, lower corporate tax

2245 Northwood Drive Salisbury, Maryland 21801 (410) 548-1100

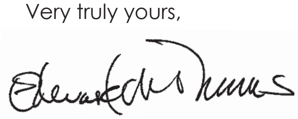
rates and a resolution of the imploding ACA are all very positive for business and are welcomed by community banks across the country.

This country's stock markets have been on a tear since the election. I have heard that $3 trillion in new wealth has been created by the increased value of equities since early November. The stock price of many large and regional banks have increased by 15% or more during this time period. However, the price of DBCP, like many small community banks, has not followed the market. Despite three relatively strong years in a row, our stock is traded at about $6 per share or 1.1 times book value, which is a 25% or so discount to larger banks. I believe that in due time the market will figure out that DBCP is undervalued and a good buy.

On a personal note, I am retiring as President and CEO effective June 30, 2017. I will remain on the Board of Directors and I have agreed to consult to assist in the management transition. Our Chief Credit Officer, John Breda, will succeed me. John and I have worked together for nearly five years and he is prepared and ready to provide new leadership to the Bank. I have been President and CEO since 1990. Community banking has been a rewarding and challenging career. When I started twenty six years ago, The Bank of Delmar, as it was then known, had four branches, forty employees and about $40 million in assets. The Bank of Delmarva has grown to ten branches (soon to be eleven), an LPO, one hundred and twenty three employees and about $515 million in assets. Stockholders equity has increased from about $4 million in 1990 to more than $46 million now. Cash dividends to common stockholders have been paid through most of this period. It has been a good run for me and I am confident that the Bank will continue to be in good hands with the management change.

Our Annual Stockholders Meeting is scheduled for 3:00 p.m., May 16th at Green Hill Yacht and Country Club near Salisbury. I look forward to seeing many of you there.

Very truly yours,



Edward M. Thomas
President and Chief Executive Officer

2245 Northwood Drive Salisbury, Maryland 21801 (410) 548-1100

Executive Overview

Delmar Bancorp is a bank holding company whose primary assets include The Bank of Delmarva. The financial statements of Delmar Bancorp consolidate the financial statements of Delmar Bancorp, The Bank of Delmarva, Davie Circle LLC, Delmarva Real Estate Holdings LLC, Delmarva BK Holdings, LLC, DHB Development LLC of which the Bank holds a 40.55% interest, West Nithsdale Enterprises LLC of which the Bank holds a 10.00% interest and Salisbury Housing LLC of which the Bank holds a 50.00% interest. The discussion and analysis which follow pertain to the operation of all the entities during 2016, but with the primary focus on the Bank.

Consolidated assets of Delmar Bancorp increased 6.0% to end the year at $512.4 million, which was an annual increase of $28.8 million.

The Bank's investment portfolio consists of Federal Agency, municipal, mortgage-backed and equity securities. The investment portfolio was $48.3 million at the end of 2016 or an increase of $16.7 million from $31.7 million in 2015.

The Bank's loan portfolio, net of the Allowance for Credit Losses, was $424.1 million at the end of 2016 or an increase of $30.1 million from $393.2 million in 2015.

The Bank's Allowance for Credit Losses was $6.4 million at year end and represents 1.5% of ending loan balances. A total of $862,000 was expensed from operations and added to the Allowance in 2016. Charge-offs of $1.7 million and recoveries of $186,000 in addition to the $862,000 which was expensed from operations accounted for the change in the Allowance for 2016. Management believes that the Allowance for Credit Losses is considered adequate based upon the nature of the Bank's loan portfolio, historical loan losses and the credit quality of the current loan portfolio as of December 31, 2016, however there can be no guarantees that additional charge-offs or additional provisions for nonperforming loans will not be required or that currently performing loans will continue to perform at their current levels.

The primary source of funding for the Bank's loan and investment activities comes from deposit accounts owned by individuals, corporations, partnerships and other entities and from Federal Home Loan Bank borrowings. Total deposits increased by $20.9 million to $433.5 million. Non-interest bearing demand accounts were 34% of total deposits and were $147.3 million at the end of 2016, an increase of $12.1 million or 8.9% compared to 2015. Interest bearing deposits were $286.2 million at the end of 2016. NOW accounts, savings and money market account balances increased by 15.7% while certificates of deposit balances decreased by 4.8% compared to 2015.

Federal Home Loan Bank borrowings provide additional funding for short term and long term needs. The Bank ended 2016 with $27.8 million in long term borrowings compared to $25 million in long term borrowings at December 31, 2015. There were no short term borrowings as of December 31. 2015 or 2016.

The Bank had an additional $2 million of long term borrowings from an institution other than the Federal Home Loan Bank.

Total capital at the holding company increased by approximately $2.9 million or 6.6%. Adjustments to capital in 2016 include net income of approximately $4.0 million, less the after tax adjustment of the difference between the book and market value of available for sale securities in the bond portfolio. Tangible capital at year end was $46.2 million in comparison to $43.3 million at the end of 2015. The holding company and the Bank are subject to various regulatory capital requirements administered by Federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the holding company and Bank must meet specific capital adequacy guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. At December 31, 2016 the holding company and Bank met all capital adequacy requirements to which they are subject and are considered to be "Well Capitalized". Management's goal is to maintain capital levels in excess of minimum regulatory capital guidelines that are sufficient to support potential growth and absorb potential losses. During the first quarter of 2016 the Bank paid a dividend to common stock shareholders of $.01/share. During the second, third and fourth quarters the Bank paid a dividend to common stock shareholders of $.02/share.

The Bank's primary source of income is interest income derived from the loan and bond portfolios. Total interest income in 2016 was $21.0 million, an increase of approximately $1.0 million from 2015. Interest income from the loan portfolio was $19.9 million at the end of 2016. Interest income from the bond portfolio was approximately $974,000, which included approximately $457,000 in income exempt from federal taxation.

The primary source of expense is interest expense paid to depositors and for other borrowed money. Interest paid to depositors totaled $5.1 million, an increase of approximately $3.0 million from 2015. Total interest expense in 2016 was $3.0 million as compared to $2.7 million in 2015.

Net interest income for 2016 totaled $18.1 million. This is an increase of 3.9% over the prior year's $17.4 million in net interest income. The net interest margin in 2016 was 3.838%, compared to 3.93% in 2015.

Other income includes service charges on deposit products, rental of safe deposit boxes, the brokerage of stock and bond products, and gains on the sale of assets and securities. Other income decreased approximately $70,000 in 2016.

Operating expenses were $13.6 million in 2016 compared to $13.5 million in 2015, representing a increase of $88,000 or 0.7%. The operating expense to average asset ratio of the holding company, excluding any impairment losses, was 2.73% in 2016 compared to 2.9% in 2015.

Net income was approximately $4.0 million in 2016 compared to net income of approximately $3.9 million reported in 2015. This is an increase of approximately $123,000. Total shares outstanding at year end 2016 were 8,219,576 and at year end 2015 were 8,174,317. The basic earnings (loss) per share increased to $.489 per share in 2016 from $.479 per share in 2015.

Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Charles M. Meenehan
Craig A. Walter
Mark A. Welsh

TGMGROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tgmgroupllc.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Delmar Bancorp
Salisbury, Maryland

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Delmar Bancorp and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, statements of comprehensive income, changes in stockholders' equity, and cash flows for the three years in the period ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

955 Mt. Hermon Road | Salisbury, MD 21804 | 410-742-1328 | 1-888-546-1574
114 Bay Street, Building A | PO Box 627 | Easton, MD 21601 | 410-822-4008

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Delmar Bancorp and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the three years ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

TGM Group LLC

Salisbury, Maryland
March 8, 2017

DELMAR BANCORP

CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and due from banks	**$ 16,344,107**	$ 26,339,638
Interest bearing deposits in other financial institutions	**5,483,522**	5,464,327
Federal funds sold	**1,262,322**	9,735,562
Cash and cash equivalents	**23,089,951**	41,539,527
Securities available for sale, at fair value	**48,345,417**	31,693,529
Loans, less allowance for credit losses 2016 **$6,385,596**; 2015 $7,083,653	**424,077,145**	393,153,247
Accrued interest receivable on loans and investment securities	**1,398,274**	1,217,082
Premises and equipment, at cost, less accumulated depreciation	**7,003,968**	7,089,897
Federal Home Loan Bank stock, at cost	**1,722,900**	1,469,900
Maryland Financial Bank stock, at cost	**30,000**	30,000
Atlantic Central Bankers Bank stock, at cost	**75,000**	75,000
Other investments	**1,000,000**	1,000,000
Deferred tax asset	**1,888,558**	1,953,710
Other real estate owned	**2,566,771**	2,955,623
Other assets	**1,169,923**	1,414,402
Total assets	**$ 512,367,907**	$ 483,591,917
LIABILITIES		
Deposits:		
Non interest bearing demand	**$ 147,310,145**	$ 135,241,523
NOW	**29,989,935**	20,474,431
Savings and money market	**96,511,515**	88,887,555
Time, $100,000 or more	**56,739,969**	55,224,615
Other time	**102,931,373**	112,729,483
	433,482,937	412,557,607
Accrued interest payable on deposits	**197,705**	200,703
Long-term borrowings	**29,806,071**	25,000,000
Note payable	**2,000,000**	2,000,000
Other liabilities	**699,689**	513,295
Total liabilities	**466,186,402**	440,271,605
COMMITMENTS, CONTINGENCIES & SUBSEQUENT EVENT		
STOCKHOLDERS' EQUITY		
Common stock, par value $.01, authorized 9,990,550 shares, issued and outstanding 2016 **8,219,576** and 2015 8,174,317	**82,196**	81,743
Surplus	**16,604,494**	16,688,173
Retained earnings	**29,813,156**	26,369,200
Accumulated other comprehensive (loss) income, net of deferred tax assets (liabilities) 2016 **$207,263**; 2015 $(118,130)	**(318,341)**	181,196
Total stockholders' equity	**46,181,505**	43,320,312
Total liabilities and stockholders' equity	**$ 512,367,907**	$ 483,591,917

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

DELMAR BANCORP

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2016, 2015, and 2014

	2016	2015	2014
INTEREST INCOME ON:			
Loans, including fees	**$ 19,882,956**	$ 19,273,015	$ 17,672,000
Investment securities:			
Taxable	**517,580**	413,945	411,099
Exempt from Federal income tax	**456,740**	362,719	396,916
Federal funds sold	**44,492**	9,157	7,415
Other interest income	**143,191**	83,017	58,046
	21,044,959	20,141,853	18,545,476
INTEREST EXPENSE ON:			
Deposits	**2,097,797**	2,084,559	1,879,532
Borrowings	**868,416**	654,000	318,561
	2,966,213	2,738,559	2,198,093
NET INTEREST INCOME	**18,078,746**	17,403,294	16,347,383
Provision for credit losses	**862,000**	600,000	1,400,000
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	**17,216,746**	16,803,294	14,947,383
OTHER INCOME:			
Service charges on deposit accounts	**1,283,313**	1,410,954	1,530,104
Gains on investment securities	**48,069**	2,450	1,667,779
Gains on disposal of other assets	**-**	2,647	46,620
Other income	**1,444,147**	1,429,567	1,468,085
	2,775,529	2,845,618	4,712,588
OTHER EXPENSES:			
Salaries and employee benefits	**7,329,731**	7,129,641	6,876,329
Premises and equipment	**1,945,646**	1,942,489	1,840,326
Amortization of intangibles	**-**	38,576	51,435
(Gains) losses on other real estate owned	**(21,397)**	139,872	628,081
Other expenses	**4,345,210**	4,260,356	4,814,099
	13,599,190	13,510,934	14,210,270
INCOME BEFORE TAXES ON INCOME	**6,393,085**	6,137,978	5,449,701
Federal and state income taxes	**2,375,358**	2,243,262	1,940,618
NET INCOME	**$ 4,017,727**	$ 3,894,716	$ 3,509,083
Earnings per common share (See Note 14)			
Basic	**$ 0.489**	$ 0.479	$ 0.325
Diluted	**0.480**	0.468	0.315

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

DELMAR BANCORP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2016, 2015, and 2014

		2016		2015		2014
NET INCOME	**$**	**4,017,727**	$	3,894,716	$	3,509,083
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX:						
Unrealized holding (losses) gains on securities available for sale arising during the period		**(776,930)**		(102,688)		2,439,092
Deferred income tax benefits (liabilities)		**306,499**		40,510		(962,222)
Other comprehensive (loss) income, net of tax		**(470,431)**		(62,178)		1,476,870
Reclassification adjustment for gains included in net income		**(48,069)**		(2,450)		(1,667,779)
Deferred income tax liabilities		**18,963**		967		657,939
Other comprehensive loss, net of tax		**(29,106)**		(1,483)		(1,009,840)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		**(499,537)**		(63,661)		467,030
COMPREHENSIVE INCOME	**$**	**3,518,190**	$	3,831,055	$	3,976,113

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

DELMAR BANCORP

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2016, 2015, and 2014

	Common Stock	Surplus	Preferred Stock (See Note 18)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances, December 31, 2013	$ 81,161	$ 16,125,746	$ 4,450,000	$ 20,429,655	$ (222,173)	$ 40,864,389
COMPREHENSIVE INCOME						
Net income	-	-	-	3,509,083	-	3,509,083
Other comprehensive gain, net of tax:						
Unrealized holding gains on securities available for sale arising during the period	-	-	-	-	1,476,870	
Reclassification adjustment for gains included in net income	-	-	-	-	(1,009,840)	
						467,030
TOTAL COMPREHENSIVE INCOME						3,976,113
Accretion of preferred warrants	-	90,000	-	(90,000)	-	-
Stock-based compensation expense recognized in earnings	-	272,933	-	-	-	272,933
Balances, December 31, 2014	81,161	16,488,679	4,450,000	23,848,738	244,857	45,113,435
COMPREHENSIVE INCOME						
Net income	-	-	-	3,894,716	-	3,894,716
Other comprehensive loss, net of tax:						
Unrealized holding loss on securities available for sale arising during the period	-	-	-	-	(62,178)	
Reclassification adjustment for gains included in net income	-	-	-	-	(1,483)	
						(63,661)
TOTAL COMPREHENSIVE INCOME						3,831,055
Cash dividends, $0.01 per share	-	-	-	(81,743)	-	(81,743)
Redemption of preferred stock	-	-	(4,450,000)	(1,292,511)	-	(5,742,511)
Restricted stock issuance	582	(582)	-	-	-	-
Stock-based compensation expense recognized in earnings, net of employee tax obligation	-	200,076	-	-	-	200,076
Balances, December 31, 2015	81,743	16,688,173	-	26,369,200	181,196	43,320,312
COMPREHENSIVE INCOME						
Net income	**-**	**-**	**-**	**4,017,727**	**-**	**4,017,727**
Other comprehensive loss, net of tax:						
Unrealized holding losses on securities available for sale arising during the period	**-**	**-**	**-**	**-**	**(470,431)**	
Reclassification adjustment for gains included in net income	**-**	**-**	**-**	**-**	**(29,106)**	
						(499,537)
TOTAL COMPREHENSIVE INCOME						**3,518,190**
Cash dividends, $0.07 per share	**-**	**-**	**-**	**(573,771)**	**-**	**(573,771)**
Restricted stock issuance	**453**	**(453)**	**-**	**-**	**-**	**-**
Stock-based compensation expense recognized in earnings, net of employee tax obligation	**-**	**(83,226)**	**-**	**-**	**-**	**(83,226)**
Balances, December 31, 2016	**$ 82,196**	**$ 16,604,494**	**$ -**	**$ 29,813,156**	**$ (318,341)**	**$ 46,181,505**

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

DELMAR BANCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016, 2015, and 2014

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 4,017,727**	$ 3,894,716	$ 3,509,083
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses and unfunded commitments	**862,000**	600,000	1,400,000
Depreciation	**632,067**	631,715	560,717
Amortization and accretion	**213,067**	106,402	176,265
Gain on investment securities	**(49,368)**	(2,450)	(1,667,779)
Net gains on sales of assets	**-**	(2,647)	-
Net (gains) losses on other real estate owned, including write-downs	**(24,723)**	241,554	628,081
Deferred income tax expenses	**390,545**	2,152,715	1,935,095
Stock-based compensation expense, net of employee tax obligation	**(83,226)**	200,076	272,933
Changes in assets and liabilities:			
(Increase) decrease in accrued interest receivable	**(181,192)**	83,953	(128,180)
Decrease in other assets	**244,479**	182,997	189,492
(Decrease) increase in accrued interest payable	**(2,998)**	4,899	(8,121)
Increase (decrease) in other liabilities	**103,746**	2,252	(240,184)
Net cash provided by operating activities	**6,122,124**	8,096,182	6,627,402
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of securities available for sale	**(28,530,621)**	(1,120,077)	(7,055,304)
Proceeds from maturities and paydowns of securities available for sale	**8,849,264**	2,510,391	4,182,038
Proceeds from sales of securities available for sale	**2,040,840**	492,450	9,088,715
Net increase in loans	**(32,286,446)**	(16,908,800)	(44,606,491)
Proceeds from sale of assets	**-**	4,000	-
Purchases of premises and equipment	**(546,138)**	(347,697)	(640,077)
Proceeds from the sale of foreclosed assets	**914,123**	1,747,845	1,981,394
(Purchase) sale of Federal Home Loan Bank stock	**(253,000)**	(128,100)	29,500
Net cash used by investing activities	**(49,811,978)**	(13,749,988)	(37,020,225)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in demand, NOW, money market, and savings deposits, net	**29,208,086**	22,955,803	14,847,853
(Decrease) increase in time deposits, net	**(8,282,756)**	8,870,338	10,708,205
Increase in borrowings, net	**4,806,071**	5,500,000	2,500,000
Dividends paid	**(491,123)**	-	-
Redemption of preferred stock	**-**	(5,742,511)	-
Net cash provided by financing activities	**25,240,278**	31,583,630	28,056,058
Net (decrease) increase in cash and cash equivalents	**(18,449,576)**	25,929,824	(2,336,765)
Cash and cash equivalents, beginning	**41,539,527**	15,609,703	17,946,468
Cash and cash equivalents, ending	**$ 23,089,951**	$ 41,539,527	$ 15,609,703

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

(Continued)

DELMAR BANCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016, 2015, and 2014
(Continued)

	2016	2015	2014
Supplementary cash flow information:			
Interest paid	**$ 2,969,211**	$ 2,733,660	$ 2,206,214
Income taxes paid	**1,908,779**	33,600	34,400
Total (depreciation) appreciation on securities available for sale	**(824,999)**	(105,138)	771,313
SUPPLEMENTARY NON-CASH INVESTING ACTIVITIES			
Loans converted to other real estate owned	**$ 500,548**	$ 1,222,453	$ 3,004,054

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company and Its Significant Accounting Policies

The Bank provides financial services to individuals and corporate customers, and is subject to competition from other financial institutions. The Bank is also subject to the regulations of certain Federal and state agencies and undergoes periodic examinations by those regulatory authorities. The accounting policies of the Bank conform to generally accepted accounting principles and general practices within the banking industry.

Significant accounting policies not disclosed elsewhere in the consolidated financial statements are as follows:

Principles of Consolidation:

The consolidated financial statements include the accounts of Delmar Bancorp, a bank holding company (the Company); its wholly owned subsidiary - The Bank of Delmarva (the "Bank"), a commercial bank engaged in general commercial banking operations in Maryland and Delaware; Delmarva Real Estate Holdings, LLC., a wholly owned subsidiary of The Bank of Delmarva, which is a real estate holding company; Davie Circle, LLC, a wholly owned subsidiary of The Bank of Delmarva, which is a real estate holding company; Delmarva BK Holdings, LLC, a wholly owned subsidiary of The Bank of Delmarva, which is a real estate holding company; DHB Development, LLC, of which the Bank holds a 40.55% interest, and is a real estate holding company; West Nithsdale Enterprises, LLC, of which the Bank holds a 10% interest, and is a real estate holding company; and Salisbury Housing, LLC, of which the Bank holds 50% interest, and is also a real estate holding company. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted within the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Securities Available for Sale:

Marketable debt and equity securities not classified as held to maturity are classified as available for sale. Securities available for sale are acquired as part of the Bank's asset/liability management strategy and may be sold in response to changes in interest rates, loan demand, changes in prepayment risk, and other factors. Securities available for sale are carried at fair value as determined by quoted market prices. Unrealized gains or losses based on the difference between amortized cost and fair value are reported in other comprehensive income, net of deferred tax. Realized gains and losses, using the specific identification method, are included as a separate component of other income (expense) and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. Premiums and discounts are recognized in interest income using the interest method over the period to maturity. Additionally, declines in the fair value of individual investment securities below their cost that are other than temporary are reflected as realized losses in the consolidated statements of income.

Other Securities:

Federal Home Loan Bank ("FHLB"), Atlantic Central Bankers Bank ("ACBB"), and Maryland Financial Bank ("MFB") are equity interests in the FHLB, ACBB, and MFB respectively. These securities do not have a readily determinable fair value for purposes of ASC 320-10 Investments-Debts and Equity Securities because their ownership is restricted and they lack an active market. As there is no readily determinable fair value for these securities, they are carried at cost less any other-than-temporary impairment (OTTI). Other Investments consists of an equity ownership of Solomon Hess SBA Loan Fund LLC which the value is adjusted for its prorata share of assets in the Fund.

Note 1. The Company and Its Significant Accounting Policies (Continued)

Loans and the Allowance for Credit Losses:

Loans are generally carried at the amount of unpaid principal, adjusted for unearned loan fees, which are amortized over the term of the loan using the effective interest rate method. Interest on loans is accrued based on the principal amounts outstanding. It is the Bank's policy to discontinue the accrual of interest when a loan is specifically determined to be impaired or when principal or interest is delinquent for ninety days or more. When a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Cash collections on such loans are applied as reductions of the loan principal balance and no interest income is recognized on those loans until the principal balance has been collected. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received. The carrying value of impaired loans is based on the present value of the loan's expected future cash flows or, alternatively, the observable market price of the loan or the fair value of the collateral.

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses inherent in the loan portfolio and is based on the size and current risk characteristics of the loan portfolio, an assessment of individual problem loans and actual loss experience, the value of the underlying collateral, and current economic events in specific industries and geographical areas, including unemployment levels, and other pertinent factors, including regulatory guidance and general economic conditions. Determination of the allowance is inherently subjective, as it requires significant estimates, including the amounts and timing on historical loss experience, and consideration of current economic trends, all of which may be susceptible to significant change. Loan losses are charged off against the allowance, while recoveries of amounts previously charged off are credited to the allowance. A provision for credit losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. Evaluations are conducted at least monthly and more often if deemed necessary.

The allowance for credit losses typically consists of an allocated component and an unallocated component. The allocated component of the allowance for credit losses reflects expected losses resulting from analyses developed through specific credit allocations for individual loans and historical loss experience for each loan category.

The specific credit allocations are based on regular analyses of all loans over a fixed-dollar amount where the internal credit rating is at or below a predetermined classification. The historical loan loss element is determined statistically using an informal loss migration analysis that examines loss experience and the related internal gradings of loans charged off over a current 3 year period. The loss migration analysis is performed quarterly and loss factors are updated regularly based on actual experience. The allocated component of the allowance for credit losses also includes consideration of concentrations and changes in portfolio mix and volume.

Any unallocated portion of the allowance reflects management's estimate of probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet manifested themselves in loss allocation factors. In addition, the unallocated allowance includes a component that explicitly accounts for the inherent imprecision in loan loss migration models. The historical losses used in the migration analysis may not be representative of actual unrealized losses inherent in the portfolio. It is management's intent to continually refine the methodology for the allowance for credit losses in an attempt to directly allocate potential losses in the loan portfolio under ASC Topic 310 and minimize the unallocated portion of the allowance for credit losses.

Note 1. The Company and Its Significant Accounting Policies (Continued)

Loan Charge-off Policies

Loans are generally fully or partially charged down to the fair value of securing collateral when:
- management deems the asset to be uncollectible
- repayment is deemed to be made beyond the reasonable time frames
- the asset has been classified as a loss by internal or external review
- the borrower has filed bankruptcy and the loss becomes evident owing to a lack of assets

Other Real Estate Owned (OREO):

OREO comprises properties acquired in partial or total satisfaction of problem loans. The properties are recorded at the lower of cost or fair value at the date acquired. Losses arising at the time of acquisition of such properties are charged against the allowance for credit losses. Subsequent write-downs that may be required and expenses of operation are included in other expenses. Gains and losses realized from the sale of OREO are included in other income. At December 31, 2016 there were eight properties with a combined value of **$2,566,771** included in other real estate owned, and at December 31, 2015 there were eight properties with a combined value of $2,955,623.

Bank Premises and Equipment and Depreciation:

Bank premises and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets, ranging from two to fifty years. Leasehold improvements are depreciated over the lesser of the terms of the leases or their estimated useful lives. Expenditures for improvements that extend the life of an asset are capitalized and depreciated over the asset's remaining useful life. Gains or losses realized on the disposition of premises and equipment are reflected in the consolidated statements of income. Expenditures for repairs and maintenance are charged to other expenses as incurred. Computer software is recorded at cost and amortized over three to five years.

Intangible Assets and Amortization:

During 2012, the Bank restructured three borrowings with the FHLB and incurred a total prepayment penalty of $1,645,571 (see Note 8). The prepayment penalty is being amortized to final maturity as an adjustment to interest expense. The unamortized premium was $542,501 as of December 31, 2016.

Long-Lived Assets:

The carrying value of long-lived assets and certain identifiable intangibles is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable as prescribed by ASC 360-10 Property, Plant, and Equipment. As of December 31, 2016 and 2015, certain loans were deemed to be impaired (see Note 3).

Note 1. The Company and Its Significant Accounting Policies (Continued)

Income Taxes:

The Company and its subsidiaries file a consolidated Federal tax return. The provision for Federal and state income taxes is based upon the consolidated results of operations, adjusted for tax-exempt income. Deferred income taxes are provided under ASC 740-10 Income Taxes by applying enacted statutory rates to temporary differences between financial and tax bases of assets and liabilities.

Temporary differences, which give rise to deferred tax assets relate principally to the allowance for credit losses, accumulated amortization of intangibles, impairment loss on securities, net operating loss carryforward, net losses on other real estate owned, and unrealized depreciation on securities available for sale. Temporary differences which give rise to deferred tax liabilities relate to accumulated depreciation, deferred gains and accumulated accretion of discount on debt securities.

Securities Sold Under Agreements to Repurchase:

Securities sold under agreements to repurchase were comprised of six customer deposit agreements with various maturities totaling $1,969,047 at December 31, 2015. All customer agreements were converted to other types of deposit accounts during 2016. This obligation was not federally insured, but was collateralized by investment securities. These pledged securities were segregated and maintained by a third-party institution. The amortized cost and fair value of these securities at December 31, 2015 was $3,999,401 and $3,973,705, respectively.

Credit Risk:

The Bank has deposits in other financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Bank has not experienced any losses in such accounts and management does not believe it is exposed to any significant credit risks with respect to such deposits.

Cash and Cash Equivalents:

The Bank has included cash and due from banks, interest bearing deposits in other financial institutions, and Federal funds sold as cash and cash equivalents for purposes of reporting cash flows.

Accounting for Stock Based Compensation:

The Company follows ASC 718-10, *Compensation – Stock Compensation* for accounting and reporting for stock-based compensation plans. ASC 718-10 defines a fair value at grant date to be used for measuring compensation expense for stock-based compensation plans to be recognized in the statement of income.

During 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2015-10 *Technical Corrections and Improvements,* which replaced the definition of fair value previously used in ASC 718 with the definition of fair value from ASC 820, *Fair Value Measurement*. The amendments affecting ASC 718-40 were effective and applied prospectively by the Company beginning January 1, 2016. Management believes the resulting change in fair value measurement methodology is immaterial to the financial statements.

Note 1. The Company and Its Significant Accounting Policies (Continued)

Earnings (Loss) Per Common Share:

Basic earnings (loss) per common share are determined by dividing net income (loss) adjusted for preferred stock dividends declared and/or accumulated and accretion of warrants by the weighted average number of shares outstanding for each year, giving retroactive effect to stock splits and dividends. Weighted average shares outstanding were **8,209,667**, 8,136,536 and 8,116,066 for the years ended December 31, 2016, 2015, and 2014, respectively. Calculations of diluted earnings (loss) per common share include the average dilutive common stock equivalents outstanding during the year, unless they are anti-dilutive. Dilutive common equivalent shares consist of stock options calculated using the treasury stock method (See Note 14).

Financial Statement Presentation

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

Note 2. Investment Securities

Securities available for sale are as follows:

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. Government agencies and corporations	**$ 11,393,342**	**$ 7,955**	**$ (94,544)**	**$ 11,306,753**
Obligations of States and political subdivisions	**16,927,503**	**249,733**	**(340,687)**	**16,836,549**
Mortgage-backed securities	**19,050,054**	**50,686**	**(329,995)**	**18,770,745**
Equity securities	**1,500,000**	**-**	**(68,630)**	**1,431,370**
	$ 48,870,899	**$ 308,374**	**$ (833,856)**	**$ 48,345,417**

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. Government agencies and corporations	$ 8,351,353	$ 16,267	$ (34,395)	$ 8,333,225
Obligations of States and political subdivisions	11,094,355	415,900	(6,109)	11,504,146
Mortgage-backed securities	10,448,372	90,939	(141,632)	10,397,679
Equity securities	1,500,000	-	(41,521)	1,458,479
	$ 31,394,080	$ 523,106	$ (223,657)	$ 31,693,529

Note 2. Investment Securities (Continued)

Gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2016, are as follows:

Securities available-for-sale:

	December 31, 2016					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Obligations of U.S. Government agencies and corporations	$ 9,274,863	$ 94,544	$ -	$ -	$ 9,274,863	$ 94,544
Mortgage-backed securities	13,892,924	218,663	2,781,651	111,332	16,674,575	329,995
Obligations of States and political subdivisions	8,996,687	340,687	-	-	8,996,687	340,687
Equity Securities	-	-	1,431,370	68,630	1,431,370	68,630
Total securities with unrealized losses	$32,164,474	$ 653,894	$4,213,021	$ 179,962	$36,377,495	$ 833,856

For individual securities classified as either available for sale or held to maturity, the Bank must determine whether a decline in fair value below the amortized cost basis is other than temporary. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. If the decline in fair value is considered to be other than temporary, the cost basis of the individual security shall be written down to the fair value as a new cost basis and the amount of the write-down shall be included in earnings (that is, accounted for as a realized loss).

At December 31, 2016 there were four mortgage-backed securities (MBS) and one equity investment that have been in a continuous unrealized loss position for more than twelve months. As of December 31, 2016, management also believes it has the ability and intent to hold the securities for a period of time sufficient for a recovery of cost.

During 2016, the Bank sold two securities resulting in a net gain of $47,957. During 2015, the Bank sold one security resulting in a net gain of $2,450. During 2014, the Bank sold 14 securities resulting in a net gain of $1,667,779. Six securities were either matured or called during 2016, resulting in a net gain of $1,411. No securities were either matured or called during 2015, resulting in no gain or loss. Seven securities were either matured or called during 2014, resulting in no gain or loss.

Note 2. Investment Securities (Continued)

Contractual maturities of investment securities at December 31, 2016 and 2015 are shown below. Actual maturities may differ from contractual maturities because debtors may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities have no stated maturity and primarily reflect investments in various Pass-through and Participation Certificates issued by the Federal National Mortgage Association and the Government National Mortgage Association. Repayment of mortgage-backed securities is affected by the contractual repayment terms of the underlying mortgages collateralizing these obligations and the current level of interest rates.

The following is a summary of maturities, calls, or repricing of securities available for sale:

	December 31, 2016	
	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	**$ -**	**$ -**
Due after one year through five years	**14,569,425**	**14,591,906**
Due after five years through ten years	**7,510,355**	**7,603,242**
Due after ten years or more	**7,741,065**	**7,379,524**
Mortgage-backed, due in monthly installments	**19,050,054**	**18,770,745**
	$ 48,870,899	**$ 48,345,417**

	December 31, 2015	
	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 1,249,859	$ 1,272,115
Due after one year through five years	8,883,027	8,905,576
Due after five years through ten years	7,155,459	7,434,044
Due after ten years or more	3,657,363	3,684,115
Mortgage-backed, due in monthly installments	10,448,372	10,397,679
	$ 31,394,080	$ 31,693,529

The Bank has pledged certain securities as collateral for qualified customers' deposit accounts at December 31, 2016 and 2015 as follows:

	2016	2015
Amortized cost	**$ 7,688,675**	$ 7,613,150
Fair value	**7,860,947**	7,873,874

The Bank has also pledged securities with the Federal Reserve Bank ("FRB") to collateralize its accounts held at the FRB with an amortized cost and fair value of $63,312 and $65,055 at December 31, 2016, respectively.

Note 3. Loans and Allowance for Credit Losses

Major categories of loans as of December 31 are as follows:

	2016	2015
Other real estate secured	**$ 272,506,000**	$ 255,765,014
1 - 4 Family residential secured	**115,553,077**	105,738,145
Other	**42,403,664**	38,733,741
	430,462,741	400,236,900
Less: Allowance for loan losses	**(6,385,596)**	(7,083,653)
	$ 424,077,145	$ 393,153,247

Allowance for Loan Losses

Management has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for loan losses, the Bank has segmented the loan portfolio into the following classifications:

- Other Real Estate Secured
  - Commercial Real Estate
  - Construction and Land Development
  - Farmland
  - Multifamily
- 1 – 4 Family Residential Secured
- Other
  - Commercial and Industrial
  - Consumer Loans
  - Other Loans

Each of these segments are reviewed and analyzed quarterly using the weighted average historical charge-offs over a current three year period for their respective segments as well as the following qualitative factors:

- Changes in the levels and trends in delinquencies, nonaccruals, classified assets and troubled debt restructurings
- Changes in the nature and volume of the portfolio
- Effects of any changes in lending policies, procedures, including underwriting standards and collections, charge off and recovery practices
- Changes in the experience, depth and ability of management
- Changes in the national and local economic conditions and developments, including the condition of various market segments
- Changes in the concentration of credits within each pool
- Changes in the quality of the Bank's loan review system and the degree of oversight by the Board
- Changes in external factors such as competition and the legal environment

The above factors result in a FAS 5, as codified in FASB ASC 450-10- 20, calculated reserve for environmental factors.

Note 3. Loans and Allowance for Credit Losses (Continued)

All credit exposures graded at a rating of "5", "6", "7" or "8" with outstanding balances less than $250,000 and credit exposures graded at a rating of "1", "2", "3" or "4" are reviewed and analyzed quarterly using the weighted average historical charge-offs over a current three year period as a percentage of total charge-offs for the same period for their respective segments as well as the qualitative factors discussed above. The weighted average historical percentage is further adjusted based on delinquency risk trend assessments and concentration risk assessments.

All credit exposures graded at a rating of "5", "6", "7" or "8" with outstanding balances greater than $250,000 are to be reviewed no less than quarterly for the purpose of determining if a specific allocation is needed for that credit. The determination for a specific reserve is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases management uses the current fair value of the collateral, less selling cost when foreclosure is probable, instead of discounted cash flows. If management determines that the value of the loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance.

The establishment of a specific reserve does not necessarily mean that the credit with the specific reserve will definitely incur loss at the reserve level. It is only an estimation of potential loss based upon anticipated events. A specific reserve will not be established unless loss elements can be determined and quantified based on known facts.

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio as of December 31, 2016 and 2015.

The following table presents the total allowance by loan segment.

	Other Real Estate Secured	1 - 4 Family Residential Secured	Other	Unallocated	Total
Balance at December 31, 2015	$ 3,869,653	$ 1,351,000	$ 1,044,000	$ 819,000	$ 7,083,653
Charge-offs	(664,187)	(88,997)	(992,671)	-	(1,745,855)
Recoveries	66,496	45,015	74,287	-	185,798
Provision	120,634	832,982	462,384	(554,000)	862,000
Balance at December 31, 2016	$ 3,392,596	$ 2,140,000	$ 588,000	$ 265,000	$ 6,385,596
Individually evaluated for impairment:					
Balance in allowance	$ 588,982	$ 990,742	$ 87,283	$ -	$ 1,667,007
Related loan balance	17,820,081	9,527,192	369,107	-	27,716,380
Collectively evaluated for impairment:					
Balance in allowance	$ 2,803,614	$ 1,149,258	$ 500,717	$ 265,000	$ 4,718,589
Related loan balance	254,685,919	106,025,885	42,034,557	-	402,746,361

Note 3. Loans and Allowance for Credit Losses (Continued)

	Other Real Estate Secured	1 - 4 Family Residential Secured	Other	Unallocated	Total
Balance at December 31, 2014	$ 4,415,387	$ 2,192,000	$ 770,000	$ 808,000	$ 8,185,387
Charge-offs	(1,388,757)	(78,050)	(379,628)	-	(1,846,435)
Recoveries	62,511	9,424	72,766	-	144,701
Provision	780,512	(772,374)	580,862	11,000	600,000
Balance at December 31, 2015	$ 3,869,653	$ 1,351,000	$ 1,044,000	$ 819,000	$ 7,083,653
Individually evaluated for impairment:					
Balance in allowance	$ 690,974	$ 86,891	$ 647,933	$ -	$ 1,425,798
Related loan balance	16,671,643	4,057,731	1,002,447	-	21,731,821
Collectively evaluated for impairment:					
Balance in allowance	$ 3,178,679	$ 1,264,109	$ 396,067	$ 819,000	$ 5,657,855
Related loan balance	239,093,371	101,680,414	37,731,294	-	378,505,079

The Bank had an unallocated amount (overage) of approximately **$265,000** in the allowance that is reflected in the above table as of December 31, 2016. The Bank had an unallocated amount (overage) of approximately $819,000 in the allowance that is reflected in the above table as of December 31, 2015. Management is comfortable with this amount as they feel it is adequate to absorb additional inherent potential losses in the loan portfolio as further detailed in Note 1, "Loans and the Allowance for Credit Losses".

Credit Quality Information

The following table represents credit exposures by creditworthiness category for the year ending December 31, 2016. The use of creditworthiness categories to grade loans permits management to estimate a portion of credit risk. The Bank's internal creditworthiness is based on experience with similarly graded credits. Loans that trend upward toward higher credit grades typically have less credit risk and loans that migrate downward typically have more credit risk.

The Bank's internal risk ratings are as follows:

1 Excellent – minimal risk. (normally supported by pledged deposits, United States government securities, etc.)
2 Superior – low risk. (all of the risks associated with this credit based on each of the bank's creditworthiness criteria are minimal)
3 Good – moderately low risk. (most of the risks associated with this credit based on each of the bank's creditworthiness criteria are minimal)
4 Fair/Watch – moderate risk. (the weighted overall risk associated with this credit based on each of the bank's creditworthiness criteria is acceptable)
5 Marginal – moderately high risk. (possesses deficiencies which corrective action by the bank would remedy; potential watch list)
6 Substandard – (the bank is inadequately protected and there exists the distinct possibility of sustaining some loss if not corrected)
7 Doubtful – (weaknesses make collection or liquidation in full, based on currently existing facts, improbable)
8 Loss – (of little value; not warranted as a bankable asset)

Note 3. Loans and Allowance for Credit Losses (Continued)

Non-accruals

In general, a loan will be placed on non-accrual status at the end of the reporting month in which the interest or principal is past due more than 90 days. Exceptions to the policy are those loans that are in the process of collection and are well secured. A well-secured loan is secured by collateral with sufficient market value to repay principal and all accrued interest.

A summary of loans by risk rating is as follows:

December 31, 2016	Other Real Estate Secured	1-4 Family Residential Secured	Other	Total
Excellent	**$ 663,996**	**$ -**	**$ 466,930**	**$ 1,130,926**
Superior	**5,290,583**	**87,321**	**154,278**	**5,532,182**
Good	**243,025,641**	**101,876,444**	**40,157,088**	**385,059,173**
Fair	**12,957,377**	**4,632,476**	**580,605**	**18,170,458**
Marginal	**3,724,877**	**231,393**	**572,441**	**4,528,711**
Substandard	**6,843,526**	**8,725,443**	**472,322**	**16,041,291**
TOTAL	**$272,506,000**	**$115,553,077**	**$ 42,403,664**	**$430,462,741**
Non-Accrual	**$ 1,869,337**	**$ 1,727,071**	**$ -**	**$ 3,596,408**
Troubled debt restructures	**$ 14,700,511**	**$ 3,687,097**	**$ 246,113**	**$ 18,633,721**
Number of TDR accounts	**26**	**18**	**4**	**48**
Breakdown of TDRs				
TDRs on Nonaccrual	**$ 814,635**	**$ 1,424,738**	**$ -**	**$ 2,239,373**
TDRs Past Due 30-89	**200,384**	**-**	**-**	**200,384**
Performing TDRs	**13,685,492**	**2,262,359**	**246,113**	**16,193,964**
TOTAL	**$ 14,700,511**	**$ 3,687,097**	**$ 246,113**	**$ 18,633,721**
Total Non-performing TDR accounts	**$ 1,015,019**	**$ 1,424,738**	**$ -**	**$ 2,439,757**
Number of non-performing TDRs	**3**	**9**	**-**	**12**

December 31, 2015	Other Real Estate Secured	1-4 Family Residential Secured	Other	Total
Excellent	$ 701,356	$ -	$ 491,602	$ 1,192,958
Superior	7,196,104	95,401	307,672	7,599,177
Good	226,753,502	94,695,761	35,996,173	357,445,436
Fair	15,350,833	7,608,704	817,472	23,777,009
Marginal	-	50,699	14,593	65,292
Substandard	5,763,219	3,287,580	1,106,229	10,157,028
TOTAL	$255,765,014	$105,738,145	$ 38,733,741	$400,236,900
Non-Accrual	$ 2,207,082	$ 1,593,953	$ 647,933	$ 4,448,968
Troubled debt restructures	$ 14,939,222	$ 3,652,210	$ 354,515	$ 18,945,947
Number of TDR accounts	26	16	4	46
Breakdown of TDRs				
TDRs on Nonaccrual	$ 440,342	$ 1,268,446	$ -	$ 1,708,788
TDRs Past Due 30-89	237,225	689,153	-	926,378
Performing TDRs	14,261,655	1,694,611	354,515	16,310,781
TOTAL	$ 14,939,222	$ 3,652,210	$ 354,515	$ 18,945,947
Total Non-performing TDR accounts	$ 677,567	$ 1,957,599	$ -	$ 2,635,166
Number of non-performing TDRs	4	8	-	12

Note 3. Loans and Allowance for Credit Losses (Continued)

The following table includes an aging analysis of the recorded investment of past due financing receivables as of December 31, 2016 and 2015:

December 31, 2016	30-59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due *	Total Past Due	Current Balance	Total Financing Receivables	Recorded Investment > 90 Days Past Due and Accruing
Other Real Estate Secured	**$ 1,944,241**	**$ 3,047,896**	**$ 1,869,337**	**$ 6,861,474**	**$265,644,526**	**$272,506,000**	**$ -**
1 - 4 Family Residential	**1,243,952**	**84,584**	**1,736,724**	**3,065,260**	**112,487,817**	**115,553,077**	**9,653**
Other	**107,713**	**-**	**10,967**	**118,680**	**42,284,984**	**42,403,664**	**-**
TOTAL	**$ 3,295,906**	**$ 3,132,480**	**$ 3,617,028**	**$10,045,414**	**$420,417,327**	**$430,462,741**	**$ 9,653**

* Includes $3,596,408 of non-accrual loans.

December 31, 2015	30-59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due *	Total Past Due	Current Balance	Total Financing Receivables	Recorded Investment > 90 Days Past Due and Accruing
Other Real Estate Secured	$ 1,158,649	$ -	$ 2,207,082	$ 3,365,731	$252,399,283	$255,765,014	$ -
1 - 4 Family Residential	689,153	-	1,596,049	2,285,202	103,452,943	105,738,145	-
Other	150,166	-	650,810	800,976	37,932,765	38,733,741	-
TOTAL	$ 1,997,968	$ -	$ 4,453,941	$ 6,451,909	$393,784,991	$400,236,900	$ -

* Includes $4,448,968 of non-accrual loans.

Impaired Loans

Impaired loans are defined as nonaccrual loans, troubled debt restructurings, and loans risk rated a “6” or above. When management identifies a loan as impaired, the impairment is measured for potential loss based on the present value of expected future cash flows, discounted at the loan’s effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases management used the current fair value of the collateral, less selling cost when foreclosure is probable, instead of discounted cash flows. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

The following table includes the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable. Management determined the specific reserve in the allowance based on the present value of expected future cash flows, discounted at the loan’s effective interest rate, except when the remaining source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less selling costs was used to determine the specific allowance recorded.

Note 3. Loans and Allowance for Credit Losses (Continued)

Also presented are the average recorded investments in the impaired loans and the related amount of interest recognized during the time within the period that the impaired loans were impaired. When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method.

December 31, 2016	**Recorded Investment**	**Unpaid Principal Balance**	**Interest Income Recognized**	**Specific Reserve**	**Average Recorded Investment**
Impaired loans with specific reserves:					
Other Real Estate Secured	**$ 4,437,211**	**$ 4,577,262**	**$ 190,762**	**$ 588,982**	**$ 3,224,471**
1 - 4 Family Residential Secured	**5,543,372**	**6,345,811**	**210,903**	**990,742**	**4,245,308**
Other	**87,283**	**87,283**	**5,790**	**87,283**	**367,608**
Total impaired loans with specific reserves	**$ 10,067,866**	**$ 11,010,356**	**$ 407,455**	**$ 1,667,007**	**$ 7,837,387**
Impaired loans with no specific reserve:					
Other Real Estate Secured	**$ 13,547,956**	**$ 13,630,450**	**$ 892,924**	**$ -**	**$ 13,653,338**
1 - 4 Family Residential Secured	**4,021,678**	**4,208,486**	**181,726**	**-**	**3,080,879**
Other	**404,475**	**404,475**	**35,540**	**-**	**449,894**
Total impaired loans with no specific reserve	**$ 17,974,109**	**$ 18,243,411**	**$ 1,110,190**	**$ -**	**$ 17,184,111**
TOTAL	**$ 28,041,975**	**$ 29,253,767**	**$ 1,517,645**	**$ 1,667,007**	**$ 25,021,498**

Total impaired loans of **$28,041,975** at December 31, 2016 include $325,595 of loans which did not meet the criteria whereby an individual evaluation for impairment was required. These loans were pooled with all other loans not requiring an evaluation for individual impairment and reviewed and analyzed using the weighted average historical charge-offs over a current three year period for their respective segments along with the qualitative factors stated previously in this disclosure, to result in a FAS 5 calculated reserve.

December 31, 2015	Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment
Impaired loans with specific reserves:					
Other Real Estate Secured	$ 2,011,731	$ 2,413,183	$ 115,877	$ 690,974	$ 4,044,446
1 - 4 Family Residential Secured	2,947,243	2,947,243	76,404	86,891	2,012,987
Other	647,933	673,933	19,271	647,933	514,783
Total impaired loans with specific reserves	$ 5,606,907	$ 6,034,359	$ 211,552	$ 1,425,798	$ 6,572,216
Impaired loans with no specific reserve:					
Other Real Estate Secured	$ 13,758,720	$ 14,235,626	$ 1,037,061	$ -	$ 12,385,164
1 - 4 Family Residential Secured	2,140,079	3,054,326	42,442	-	2,792,804
Other	495,312	495,312	28,207	-	443,946
Total impaired loans with no specific reserve	$ 16,394,111	$ 17,785,264	$ 1,107,710	$ -	$ 15,621,914
TOTAL	$ 22,001,018	$ 23,819,623	$ 1,319,262	$ 1,425,798	$ 22,194,130

Note 3. Loans and Allowance for Credit Losses (Continued)

The Bank makes loans to customers located primarily within Wicomico and Worcester Counties, Maryland and Sussex County, Delaware. A substantial portion of its loan portfolio consists of residential and commercial real estate mortgages.

Included in the amounts listed above are loans receivable from directors, principal officers, and stockholders of **$7,894,000** and $8,188,000 at December 31, 2016 and 2015, respectively. During 2016 and 2015, loan additions totaled **$310,000** and $306,000, respectively. During 2016 and 2015 repayments totaled **$604,000** and $464,000, respectively. These loans were made in the ordinary course of business on substantially the same terms and conditions as those prevailing at the same time for comparable transactions with other customers, including interest rates and collateral. They do not involve more than normal risk of collectability or present other unfavorable terms.

The Bank had no commitments to loan additional funds to the borrowers of restructured, impaired, or non-accrual loans as of December 31, 2016.

Note 4. Premises, Equipment and Depreciation

A summary of premises and equipment, at cost, and accumulated depreciation is as follows:

	2016	2015
Land	**$ 1,752,560**	$ 1,752,560
Buildings and improvements	**6,590,205**	6,461,245
Furniture and equipment	**7,217,298**	6,806,852
Total premises and equipment	**15,560,063**	15,020,657
Less: accumulated depreciation	**8,556,095**	7,930,760
Net premises and equipment	**$ 7,003,968**	$ 7,089,897

Depreciation expense totaled **$632,067,** $631,715, and $560,717 for the years ended December 31, 2016, 2015, and 2014, respectively.

Note 5. Income Taxes

Components of income tax expense (benefit) for each of the three years ended December 31, 2016, 2015, and 2014 are as follows:

	2016	2015	2014
Current			
Federal	**$ 1,760,954**	$ 90,547	$ 5,523
State	**398,602**	-	-
Total current	**2,159,556**	90,547	5,523
Deferred income tax benefits:			
Federal	**86,356**	1,750,415	1,570,355
State	**129,446**	402,300	364,740
Total deferred	**215,802**	2,152,715	1,935,095
Income tax expense (benefit)	**$ 2,375,358**	$ 2,243,262	$ 1,940,618

A reconciliation of tax computed at the Federal statutory income tax rate of 34% to the actual expense (benefit) for the years ended December 31, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
Tax at Federal statutory income tax rate	**$ 2,173,649**	$ 2,086,913	$ 1,852,898
Tax effect of:			
Tax exempt income	**(348,290)**	(305,001)	(110,418)
Other	**21,952**	130,217	7,068
State income taxes, net of Federal tax benefit	**528,047**	331,133	191,070
Income tax expense (benefit)	**$ 2,375,358**	$ 2,243,262	$ 1,940,618

Income taxes included in the balance sheets are as follows:

	2016	2015
Federal income tax payable	**$ (85,904)**	$ -
State franchise tax receivable	**15,398**	33,600
Deferred income tax benefits:		
Allowance for credit losses and unfunded commitments	**$ 181,757**	$ 602,108
Net operating loss carryforward	**93,195**	148,512
Accumulated amortization on intangibles	**73,425**	83,478
Impairment loss on investment securities	**45,319**	44,876
Net losses on other real estate owned	**1,754,866**	1,570,258
Director stock option expense	**15,736**	91,703
Net unrealized depreciation on securities available for sale	**207,263**	-
	2,371,561	2,540,935
Deferred tax liabilities:		
Accumulated depreciation	**288,351**	271,091
Deferred gain	**193,994**	192,098
Accumulated securities discount accretion	**658**	5,906
Net unrealized appreciation on securities available for sale	**-**	118,130
	483,003	587,225
Net deferred income tax benefits	**$ 1,888,558**	$ 1,953,710

Note 5. Income Taxes (Continued)

Management has determined that no valuation allowance is required as it is more likely than not that the deferred tax assets will be fully realizable in the future. At December 31, 2016 and 2015, management believes there are no uncertain tax positions under ASC Topic 740 Income Taxes. The Bank's Federal and state income tax returns for 2013, 2014, and 2015 are subject to examination by the IRS and/or state tax authorities, generally for three years after they were filed. The 2016 tax returns will be filed in 2017.

Note 6. Deposits

Time deposits and their remaining maturities at December 31, 2016 are as follows:

2017	$ 78,682,792
2018	34,737,520
2019	15,886,664
2020	14,828,780
2021	15,471,015
2022 and thereafter	64,571
Total time deposits	$ 159,671,342

Interest expense on deposits for each of the years ended December 31, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
NOW	**31,667**	$ 23,495	$ 22,102
Money market	**132,401**	115,520	119,499
Savings	**73,277**	64,940	59,744
Time, $100,000 or more	**735,363**	679,117	634,576
Other time	**1,125,089**	1,201,487	1,043,611
	$ 2,097,797	$ 2,084,559	$ 1,879,532

Deposit balances of officers and directors and their affiliated interests totaled approximately **$5,279,000** and $5,314,000 as of December 31, 2016 and 2015, respectively.

Deposit accounts in an overdraft position totaled approximately **$719,000** and $190,000 as of December 31, 2016 and 2015, respectively.

Some of the Company's CD deposits are through participation in the Certificate of Deposit Account Registry Service (CDARS). These deposits totaled **$4,775,604** and $3,879,047 at December 31, 2016 and 2015, respectively.

Note 7. Other Income

Other income consists of the following:

	2016	2015	2014
Investment fees and commissions	**$ 143,477**	$ 127,543	$ 245,443
Safe deposit box rentals	**43,149**	43,326	42,993
Visa debit income	**734,163**	690,521	636,197
Other non-interest income	**523,358**	568,177	543,452
	$ 1,444,147	$ 1,429,567	$ 1,468,085

Note 8. Credit Facilities

The Bank owns capital stock of the Federal Home Loan Bank of Atlanta (FHLB) as a condition for a $127,218,750 convertible advance credit facility from the FHLB. As of December 31, 2016, the Bank had remaining credit availability of $97,412,679 under this facility.

In June 2005, the Bank borrowed $5,000,000 from the FHLB with interest payable quarterly fixed at 3.78% through June 2010, maturing in June 2015. The FHLB had the option of converting the rate on this borrowing to a three month LIBOR based floating rate in 2010, however it chose not to do so, therefore the rate on this borrowing would have remained at 3.78% until maturity. During 2012, this borrowing was restructured to a three month LIBOR based floating rate for the first two years, then adjusting to 1.83% until maturity in December 2018. Due to a prepayment penalty of $405,011, which is being amortized to final maturity as an adjustment to interest expense, the effective rate is the three month LIBOR based floating rate plus 1.35% for the first two years, adjusting to 3.18% until maturity. The unamortized premium was $133,709 as of December 31, 2016.

In September 2005, the Bank borrowed an additional $5,000,000 with interest payable quarterly fixed at 4.06% through September 2009, maturing in September 2015. The FHLB had the option of converting the rate on this borrowing to a three month LIBOR based floating rate in 2009, however it chose not to do so, therefore the rate on this borrowing would have remained at 4.06% until maturity. During 2012, this borrowing was restructured to a three month LIBOR based floating rate for the first two years, then adjusting to 1.83% until maturity in December 2018. Due to a prepayment penalty of $500,195, which is being amortized to final maturity as an adjustment to interest expense, the effective rate is the three month LIBOR based floating rate plus 1.67% for the first two years, adjusting to 3.50% until maturity. The unamortized premium was $165,133 as of December 31, 2016.

In September 2006, the Bank borrowed an additional $5,000,000 with interest payable quarterly fixed at 4.57% through September 2011, maturing in September 2016. The FHLB has the option of converting the rate on this long-term borrowing to a three month LIBOR-based floating rate in 2011, however it chose not to do so, therefore the rate on this borrowing would have remained at 4.57% until maturity. During 2012, this borrowing was restructured to a three month LIBOR based floating rate for the first two years, then adjusting to 1.83% until maturity in December 2018. Due to a prepayment penalty of $740,365, which is being amortized to final maturity as an adjustment to interest expense, the effective rate is the three month LIBOR based floating rate plus 2.47% for the first two years, adjusting to 4.30% until maturity. The unamortized premium was $243,659 as of December 31, 2016.

In May 2015, the Bank borrowed an additional $10,000,000 with interest payable quarterly fixed at 1.08%, maturing in May 2020. The FHLB has the option of converting the rate on this long-term borrowing to a three month LIBOR-based floating rate at any time.

In March 2016, the Bank borrowed an additional $3,000,000 with interest payable monthly fixed at 1.62%, maturing in March 2023.

In March 2016, the Bank borrowed an additional $2,300,000 with interest payable monthly fixed at 1.99%, maturing in March 2026.

The Bank has pledged a portion of its residential and commercial mortgage loan portfolio as collateral for these credit facilities. Principal balances outstanding on these pledged loans totaled approximately **$102,181,000** and $106,201,000 at December 31, 2016 and 2015, respectively.

In addition to the FHLB credit facility, in October 2015, the Company entered into a subordinated loan agreement for an aggregate principal amount of $2,000,000. Interest-only payments are due quarterly at 6.71% per annum, and the outstanding principal balance matures in October 2025.

Note 8. Credit Facilities (Continued)

The proceeds of these long-term borrowings were generally used to purchase higher yielding investment securities, fund additional loans, or redeem preferred stock. Additionally, the Bank has secured credit availability of $5,000,000 with a correspondent bank for short-term liquidity needs, if necessary. This facility must be collateralized by specific securities at the time of any usage. At December 31, 2016, there were no borrowings outstanding, and securities pledged under this credit facility had an amortized cost and fair value of **$11,069** and **$12,720**, respectively. At December 31, 2015 there were no borrowings outstanding, and securities pledged under this credit facility had an amortized cost and fair value of $14,458 and $17,235.

Note 9. Profit Sharing Plan

The Bank has a defined contribution 401(k) profit sharing plan covering substantially all full-time employees. Under the 401(k) provision the Bank is currently matching 50% of employee contributions of up to 6% of their compensation as defined under the plan. Additional employer contributions are at the discretion of the Board of Directors. The Bank's contributions to this plan totaled **$111,814**, $99,887, and $96,872, for the years ended December 31, 2016, 2015, and 2014, respectively.

Note 10. Lease Commitment

The Bank has a branch facility lease for its Seaford, Delaware branch through December 31, 2018. The Bank also has a fifteen-year land lease for its Rehoboth, Delaware branch, with (5) five-year renewal options for a total of twenty-five years, which began in 2000. In 2008 the Bank entered into a six-year lease agreement for its Ocean City branch with a five-year renewal option, for a total of 11 years. In February 2014, this renewal option was exercised. In March 2016, the Bank renewed the Ocean City lease, extending the maturity date from October 31, 2019 to October 31, 2022. The Bank has the option to extend the lease for an additional five-year period. In December 2016 the Bank entered into a three-year agreement for its Rehoboth loan office with a three-year renewal option. Rent expense under these arrangements was **$203,838**, $194,582, and $181,479 for the years ended December 31, 2016, 2015, and 2014, respectively.

Minimum lease payments for the next five years, assuming renewal options are exercised, are approximately as follows:

2017	$	210,390
2018		212,164
2019		180,085
2020		187,635
2021		150,420

Note 11. Other Operating Expenses

Other operating expenses include the following:

		2016		2015		2014
Professional services	**$**	**119,552**	$	217,265	$	258,082
Stationery, printing and supplies		**149,273**		130,574		141,552
Postage and delivery		**146,495**		147,442		146,841
FDIC assessment		**357,806**		416,464		656,946
State bank assessment		**1,000**		1,000		1,000
Directors fees and expenses		**229,176**		224,950		194,200
Marketing		**226,466**		215,680		198,460
Correspondent bank services		**76,367**		75,179		75,851
ATM expenses		**572,540**		494,470		552,748
Telephones and mobile devices		**164,275**		157,138		92,124
Membership dues and fees		**59,460**		53,934		52,457
Legal fees		**285,735**		205,375		296,718
Audit and related professional fees		**94,175**		108,824		116,621
Insurance		**130,110**		134,588		131,555
Other		**1,732,780**		1,677,473		1,898,944
	$	**4,345,210**	$	4,260,356	$	4,814,099

Note 12. Stock Option Plans

The Bank had employee and director stock option plans and reserved **115,656** shares of stock for issuance thereunder. Options granted under these plans have a ten-year life with a four-year vesting period that begins one year after date of grant, and are exercisable at a price equal to the fair value of the Company's stock on the date of the grant. Each award from all plans is evidenced by an award agreement that specifies the option price, the duration of the option, the number of shares to which the option pertains, and such other provisions as the grantor determines. The plan term ended in 2014, therefore no new options can be granted.

Options for 115,656 shares were outstanding as follows:

	Employees			Directors		
	Shares	Average Price	Amount	Shares	Average Price	Amount
December 31, 2013	176,026	$ 16.43	$2,891,751	55,216	$ 16.61	$ 917,391
Forfeited in 2014	(35,314)	10.20	(360,068)	(11,488)	10.78	(123,822)
December 31, 2014	140,712	17.99	2,531,683	43,728	18.15	793,569
Forfeited in 2015	(54,608)	17.97	(981,329)	(10,964)	17.59	(192,885)
December 31, 2015	86,104	18.01	1,550,354	32,764	18.33	600,684
Forfeited in 2016	**(3,212)**	**19.05**	**(61,173)**	**-**	**-**	**-**
December 31, 2016	**82,892**	**$ 17.97**	**$1,489,181**	**32,764**	**$ 18.33**	**$ 600,684**

No stock options were exercised in 2014, 2015, or 2016. Shares issued in connection with stock option exercises are issued from available authorized shares.

Note 12. Stock Option Plans (Continued)

As stated in Note 1, the Company follows ASC Topic 718-10 which requires that stock-based compensation to employees and directors be recognized as compensation cost in the income statement based on their fair values on the measurement date, which, for the Company, is the date of the grant. As a result of applying the provisions of ASC Topic 718-10 during 2015 and 2014, the Company recognized additional stock-based compensation expense of **$555** in each year. Stock-based compensation expense for 2015 and 2014 relates to 2012 stock options. The 2012 options expense was fully recognized in 2015.

Note 13. Restricted Stock Plan

The Bank has an employee and director restricted stock plan and has reserved **405,805** shares of stock for issuance thereunder. The Company has adopted the Plan, pursuant to which employee and directors of the Company may acquire shares of common stock. The Plan was adopted by the Company's Board of Directors in April 2014, and, subject to the right of the Board of Directors to terminate the Plan at any time, terminates on June 30, 2018. The termination of the Plan, either at the scheduled termination date or before such date, will not affect any award issued prior to termination. Shares awarded in 2016 have a four-year vesting period. The number of shares that will vest is based on the Company's performance relative to pre-established performance goals during the four year vesting period. During 2016, no shares of stock were awarded under the restricted stock plan. Each award from the plan is evidenced by an award agreement that specifies the vesting period of the restricted stock plan, the number of shares to which the award pertains, and such other provisions as the grantor determines.

As of December 31, 2016 non-vested restricted stock awards totaling 83,920 were outstanding as follows:

	Employees		Directors	
	Shares	Weighted Average Fair Value	Shares	Weighted Average Fair Value
Nonvested Awards December 31, 2015	121,737	$ 4.17	46,100	$ 4.19
Granted in 2016	-	-	-	-
Vested in 2016	-	-	-	-
Forfeited in 2016	**(60,867)**	**4.17**	**(23,050)**	**4.18**
Nonvested Awards December 31, 2016	**60,870**	**$ 4.17**	**23,050**	**$ 4.19**

As stated in Note 1, the Company follows ASC Topic 718-10 which requires that restricted stock-based compensation to employees and directors be recognized as compensation cost in the income statement based on their fair values on the measurement date. The fair value of restricted stock granted in 2016 is equal to the underlying fair value of the stock. As a result of applying the provisions of ASC Topic 718-10 during 2015, the Company recognized restricted stock-based compensation expense of $239,643, or $147,385 net of tax, related to the 2014 restricted stock awards. No restricted stock-based compensation expense was recognized during 2016. Unrecognized restricted stock-based compensation expense related to 2014 restricted stock awards totaled approximately **$280,000** at December 31, 2016. The remaining period over which this unrecognized expense is expected to be recognized is one year.

Note 14. Earnings (Loss) Per Share

Diluted earnings (loss) per share are calculated as follows:

	2016	2015	2014
Net income	**$ 4,017,727**	$ 3,894,716	$ 3,509,083
Less: Preferred stock dividends declared and/or accumulated and warrant accretion	**-**	-	871,625
Net income applicable to basic earnings per common share	**$ 4,017,727**	$ 3,894,716	$ 2,637,458
Weighted average shares outstanding	**8,209,667**	8,136,536	8,116,066
Basic earnings per share	**0.489**	0.479	0.325
Effect of dilutive securities:			
Weighted average shares outstanding under options (1)	**116,653**	176,692	225,234
Weighted average exercise price	**$ 18.07**	$ 18.10	$ 18.02
Assumed proceeds on exercise	**$ 2,107,920**	$ 3,198,125	$ 4,058,717
Average market value	**$ 6.04**	$ 4.62	$ 4.25
Weighted average shares outstanding under restricted stock plans (2)	**167,607**	189,269	249,011
Diluted weighted average shares and common stock equivalents	**8,377,274**	8,325,805	8,365,077
Diluted earnings per share	**$ 0.480**	$ 0.468	$ 0.315

(1) Options were excluded from the calculation of dilutive earnings per share because they are anti-dilutive.
(2) Includes vested shares not yet issued and nonvested shares as of December 31.

Note 15. Regulatory Capital Requirements

The Company and the Bank are subject to various regulatory capital requirements administered by Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital adequacy guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (as defined in the regulations) of total and Tier I capital to risk-weighted assets, Tier I capital to average assets, and beginning in 2015, common equity Tier I capital to risk-weighted assets. Management believes as of December 31, 2016 that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2016, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, Tier I leverage and, beginning in 2015, common equity Tier I risk-based ratios. There are no conditions or events since that notification that management believes have changed the Bank's category.

Note 15. Regulatory Capital Requirements (Continued)

The Common Equity Tier I (beginning in 2015), Tier I and Total capital ratios are calculated by dividing the respective capital amounts by risk-weighted assets. Risk-weighted assets are calculated based on regulatory requirements and include total assets, with certain exclusions, allocated by risk weight category, and certain off-balance-sheet items, among other things. The leverage ratio is calculated by dividing Tier I capital by adjusted quarterly average total assets, which exclude goodwill and other intangible assets, among other things.

When fully phased in on January 1, 2019, the Basel III Capital Rules will require the Bank and Bancorp to maintain (i) a minimum ratio of Common Equity Tier I capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% Common Equity Tier I capital ratio as that buffer is phased in, effectively resulting in a minimum ratio of Common Equity Tier I capital to risk-weighted assets of at least 7.0% upon full implementation), (ii) a minimum ratio of Tier I capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier I capital ratio as that buffer is phased in, effectively resulting in a minimum Tier I capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of Total capital (that is, Tier I plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation) and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier I capital to average quarterly assets.

The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019). The Basel III Capital Rules also provide for a "countercyclical capital buffer" that is applicable to only certain covered institutions and does not have any current applicability to the Bank or Bancorp. The capital conservation buffer is designed to absorb losses during periods of economic stress and, as detailed above, effectively increases the minimum required risk-weighted capital ratios. Banking institutions with a ratio of Common Equity Tier I capital to risk-weighted assets below the effective minimum (4.5% plus the capital conservation buffer and, if applicable, the countercyclical capital buffer) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The following table presents actual and required capital ratios as of December 31, 2016 and 2015 for the Bank and Bancorp under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of December 31, 2016 based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

Note 15. Regulatory Capital Requirements (Continued)

A comparison of the Company's and the Bank's capital amounts and ratios as of December 31, 2016 and 2015 with the minimum requirements are presented below.

In Thousands	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016						
Total Capital Ratio						
(To Risk Weighted Assets)						
Delmar Bancorp	**$ 51,278**	**12.5 %**	**$ 35,332**	**8.6 %**	**$ -**	**N/A**
The Bank of Delmarva	**53,244**	**13.0 %**	**35,332**	**8.6 %**	**43,525**	**10.6 %**
Tier I Capital Ratio						
(To Risk Weighted Assets)						
Delmar Bancorp	**46,140**	**11.3 %**	**27,140**	**6.6 %**	**-**	**N/A**
The Bank of Delmarva	**48,106**	**11.7 %**	**27,139**	**6.6 %**	**35,332**	**8.6 %**
Common Equity Tier I Ratio						
(To Risk Weighted Assets)						
Delmar Bancorp	**46,140**	**11.3 %**	**20,995**	**5.1 %**	**-**	**N/A**
The Bank of Delmarva	**48,106**	**11.7 %**	**20,994**	**5.1 %**	**29,187**	**7.1 %**
Tier I Leverage Ratio						
(To Average Assets)						
Delmar Bancorp	**46,140**	**9.0 %**	**20,520**	**4.0 %**	**-**	**N/A**
The Bank of Delmarva	**48,106**	**9.4 %**	**20,520**	**4.0 %**	**25,650**	**5.0 %**
As of December 31, 2015						
Total Capital Ratio						
(To Risk Weighted Assets)						
Delmar Bancorp	$ 47,778	12.4 %	$ 30,949	8.0 %	$ -	N/A
The Bank of Delmarva	49,175	12.7 %	30,952	8.0 %	38,690	10.0 %
Tier I Capital Ratio						
(To Risk Weighted Assets)						
Delmar Bancorp	42,908	11.1 %	23,214	6.0 %	-	N/A
The Bank of Delmarva	44,307	11.5 %	23,218	6.0 %	30,957	8.0 %
Common Equity Tier I Ratio						
(To Risk Weighted Assets)						
Delmar Bancorp	42,908	11.1 %	17,411	4.5 %	-	N/A
The Bank of Delmarva	44,307	11.5 %	17,413	4.5 %	25,152	6.5 %
Tier I Leverage Ratio						
(To Average Assets)						
Delmar Bancorp	42,908	8.9 %	19,306	4.0 %	-	N/A
The Bank of Delmarva	44,307	9.2 %	19,327	4.0 %	24,159	5.0 %

Note 15. Regulatory Capital Requirements (Continued)

Banking regulations also limit the amount of dividends that may be paid without prior approval of the Bank's regulatory agencies. Regulatory approval is required to pay dividends, which exceed the Bank's net profits for the current year plus its retained net profits for the preceding two years.

Note 16. Fair Values of Financial Instruments

The following table shows the estimated fair value and the related carrying values of the Company's financial instruments at December 31, 2016 and 2015. Items that are not financial instruments are not included. Amounts are shown in thousands (000).

	2016		2015	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and due from banks	**$ 16,344**	**$ 16,344**	$ 26,340	$ 26,340
Interest bearing deposits	**5,484**	**5,484**	5,464	5,464
Federal funds sold	**1,262**	**1,262**	9,736	9,736
Securities:				
Available for sale	**48,345**	**48,345**	31,694	31,694
Loans, net of allowance for credit losses	**424,077**	**421,241**	393,153	393,978
Accrued interest receivable	**1,398**	**1,398**	1,217	1,217
Federal Home Loan Bank stock	**1,723**	**1,723**	1,470	1,470
Maryland Financial Bank stock	**30**	**30**	30	30
Atlantic Central Bankers stock	**75**	**75**	75	75
Other investments	**1,000**	**1,000**	1,000	1,000
Financial liabilities:				
Deposits	**$ 433,483**	**$ 400,978**	$ 412,558	$ 386,923
Accrued interest payable	**198**	**198**	201	201
Long-term borrowings and note payable	**31,806**	**32,730**	27,000	27,842
Unrecognized financial instruments:				
Commitments to extend credit	**$ 68,276**	**$ 68,276**	$ 61,653	$ 61,653
Standby letters of credit	**3,427**	**3,427**	3,410	3,410

For purposes of the above disclosures of estimated fair value, the following assumptions were used.

Cash and cash equivalents

The estimated fair value for cash and due from banks, interest-bearing deposits in other banks, and Federal funds purchased is considered to approximate cost because of their short-term nature.

Note 16. Fair Values of Financial Instruments (Continued)

Investment securities:

Estimated fair values are based on quoted market prices for actual or similar instruments or estimated using discounted cash flows. The discounts used are estimated using comparable market rates for similar types of instruments adjusted to be commensurate with the audit risk, overhead costs, and optionality of such investments.

Loans:

The estimated fair value for certain homogeneous categories of loans, such as residential mortgages, is based on the quoted market price for securities backed by similar loans, adjusted for differences in loan characteristics. The estimated fair value of other loans is determined by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposits:

The estimated fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair value of certificates of deposit is based on the rates currently offered for deposits of similar maturities and using a discounted cash flow analysis. The fair value estimates do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.

Borrowings:

The fair value of long-term fixed rate borrowings is estimated by discounting future cash flows using current interest rates currently offered for similar financial instruments.

Other assets and liabilities:

Other assets and liabilities of the Bank that are not defined as financial instruments are not included in the above disclosures, such as property and equipment. Also, non-financial instruments typically not recognized in the financial statements nevertheless may have value but are not included in the above disclosures. These include, among other items, the estimated earnings power of core deposit accounts, the trained work force, customer goodwill, and similar items.

Note 16. Fair Values of Financial Instruments (Continued)

The following table presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments not disclosed elsewhere as of December 31, 2016. This table excludes financial instruments for which the carrying amount approximates fair value.

	2016		Fair Value Hierarchy		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Loans, net	$ 424,077,145	$ 421,241,310	$ -	$ 421,241,310	$ -
Financial liabilities:					
Interest-bearing deposits	$ 286,172,792	$ 264,966,606	$ 104,350,548	$ 160,616,058	$ -
Long-term borrowings and note payable	31,806,071	32,730,001	-	32,730,001	-

Note 17. Fair Value Measurements

Effective January 1, 2008, the Company adopted ASC 820-10 Fair Value Measurements and Disclosures which provides a framework for measuring and disclosing fair value under generally accepted accounting principles. ASC Topic 820 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available-for-sale investments securities) or on a nonrecurring basis (for example, impaired loans).

ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Fair Value Hierarchy

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Other significant observable inputs (including quoted prices in active markets for similar assets or liabilities)

Level 3 – Significant unobservable inputs (including the Bank's own assumptions in determining the fair value of assets or liabilities)

In determining the appropriate levels, the Bank performs a detailed analysis of assets and liabilities that are subject to ASC Topic 820.

Note 17. Fair Value Measurements (Continued)

The following table presents fair value measurements on a recurring basis as of December 31, 2016:

	Level 1	Level 2	Level 3	Fair Value
Securities available for sale:				
Obligations of U.S				
Government agencies	$ -	$ 11,306,753	$ -	$ 11,306,753
Obligations of States and				
political subdivisions	-	16,836,549	-	16,836,549
Mortgage-backed securities	-	18,770,745	-	18,770,745
Equity securities	-	1,431,370	-	1,431,370
Total securities available for sale	$ -	$ 48,345,417	$ -	$ 48,345,417

Securities available-for-sale are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments, which are considered level 2 inputs. For these securities, management obtains fair value measurements from an independent pricing service.

The Bank may also be required, from time to time, to measure certain other financial and non-financial assets and liabilities at fair value on a non-recurring basis in accordance with GAAP. The following table presents all fair value measurements on a non-recurring basis as of December 31, 2016:

	Level 1	Level 2	Level 3	Fair Value
Impaired loans	$ -	$ -	$ 26,374,968	$ 26,374,968
OREO	-	2,566,771	-	2,566,771
Total	$ -	$ 2,566,771	$ 26,374,968	$ 28,941,739

Measured on a Non-Recurring Basis:

Financial Assets and Liabilities

The Bank is predominantly a cash flow lender with real estate serving as collateral on a majority of loans. Loans which are deemed to be impaired financial assets are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. The Bank determines such fair values from independent appraisals, which management considers level 3 inputs.

Non Financial Assets and Non Financial Liabilities

Application of ASC Topic 820 to non-financial assets and non-financial liabilities became effective January 1, 2009. The Corporation has no non-financial assets and non-financial liabilities measured at fair value on a recurring basis. Certain non-financial assets and non-financial liabilities typically measured at fair value on a non-recurring basis include foreclosed assets (upon initial recognition or subsequent impairment), non-financial assets and non-financial liabilities measured at fair value in the second step of a goodwill impairment test, and intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment.

Foreclosed real estate were adjusted to their fair values, resulting in an impairment charge, which was included in earnings for the year. Foreclosed real estate, which are considered to be non-financial assets, have been valued using a market approach at the time they are recorded in OREO. The values were determined using current market prices of similar real estate assets, which the Bank considers to be level 2 inputs.

Note 18. Parent Company Financial Information

Presented below are comparative balance sheets of the parent company, Delmar Bancorp, as of December 31, 2016 and 2015, and statements of operations and cash flows for each of the years ended December 31, 2016, 2015 and 2014.

BALANCE SHEETS
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	**$ -**	$ 187,481
Investment in subsidiaries, at equity	**47,830,483**	44,899,593
Other assets	**535,951**	329,696
Total assets	**$ 48,366,434**	$ 45,416,770
LIABILITIES		
Other liabilities	**$ 184,929**	$ 96,458
Note payable	**2,000,000**	2,000,000
Total liabilities	**$ 2,184,929**	$ 2,096,458
STOCKHOLDERS' EQUITY		
Common stock, par value $.01 per share, authorized 9,990,550 shares; issued and outstanding 2016 **8,219,576** and 2015 8,174,317	**$ 82,196**	$ 81,743
Surplus	**16,604,494**	16,688,173
Retained earnings	**29,813,156**	26,369,200
Accumulated other comprehensive (loss) income, net of deferred tax assets (liabilities) 2016 **$207,263**; 2015 $(118,130)	**(318,341)**	181,196
Total stockholders' equity	**46,181,505**	43,320,312
Total liabilities and stockholders' equity	**$ 48,366,434**	$ 45,416,770

Note 18. Parent Company Financial Information (Continued)

STATEMENTS OF INCOME
Years Ended December 31, 2016, 2015, and 2014

	2016	2015	2014
Stock-based compensation expense	**$ -**	$ (555)	$ (272,933)
Interest expense on borrowings	**(136,437)**	(29,077)	-
Other (expenses) income, net	**(54,393)**	(53,513)	23,250
Loss before income taxes and equity in undistributed net income of subsidiaries	**(190,830)**	(83,145)	(249,683)
Income tax benefits (1)	**109,343**	27,656	116,941
Equity in undistributed net income of subsidiaries	**4,099,214**	3,950,205	3,641,825
Net income	**$ 4,017,727**	$ 3,894,716	$ 3,509,083

(1) Benefits from filing consolidated Federal income tax return.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016, 2015, and 2014

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 4,017,727**	$ 3,894,716	$ 3,509,083
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Equity in undistributed net income of subsidiaries	**(4,099,214)**	(3,950,205)	(3,641,825)
Stock-based compensation expense	**-**	555	272,933
Changes in assets and liabilities:			
Increase in other assets	**(206,255)**	(148,491)	(121,701)
Increase (decrease) in other liabilities	**5,823**	88,554	(92,648)
Net cash used by operating activities	**(281,919)**	(114,871)	(74,158)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	**(491,123)**	-	-
Proceeds from long-term borrowings	**-**	2,000,000	-
Dividends received from subsidary	**585,561**	3,740,000	-
Redemption of preferred stock	**-**	(5,742,511)	-
Net cash provided (used) by financing activities	**94,438**	(2,511)	-
Net decrease in cash	**(187,481)**	(117,382)	(74,158)
Cash, beginning of year	**187,481**	304,863	379,021
Cash, end of year	**$ -**	$ 187,481	$ 304,863

Note 19. Date of Management's Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 8, 2017, the date that the financial statements were available to be issued.

Delmar Bancorp
and
The Bank of Delmarva
Directors

Laura Deeley Bren
Atlantic/Smith Cropper & Deeley
President

Paul H. Mylander
Delaware National Bank
Retired President and CEO
(Retired from Boards 12/31/2016)

Heidi J.A. Gilmore, Esquire
Baird, Mandalas Brockstedt, LLC
Partner

Edward M. Thomas
The Bank of Delmarva and Delmar Bancorp
President and Chief Executive Officer

Mark L. Granger, CPA
Granger & Company, P.A.
President

Jeffrey F. Turner
Mercantile Peninsula Bank
Retired President and CEO
Chairman of the Board

Henry H. Hanna, III, CCIM, SIOR
SVN - Miller Commercial Real Estate
Senior Advisor

Robert C. Wheatley
Keller Williams Commercial
Associate Broker
The Whayland Group, LLC
Principal

Wade H. Insley, III, Esquire
Laws, Insley & Benson, P.A.
Of Counsel

J. Phillips Wright, Jr.
Vernon Powell Shoe Company Chairman
SAS Shore Footwear, Inc. President

Kenneth R. Lehman
Former Attorney
Private Investor

Francis M. Young
Director Emeritus
Salisbury Brick Company, Inc.
Retired President

The Bank of Delmarva
Directors And Committee Members

Laura Deeley Bren
Audit Committee

Heidi J.A. Gilmore, Esquire
Loan Committee

Mark L. Granger
Audit Committee
Loan Committee

Henry H. Hanna, III, CCIM, SIOR
Loan Committee

Wade H. Insley, III, Esquire
Audit Committee, Chairman
Governance Committee
Loan Committee

Kenneth R. Lehman

Paul H. Mylander
Governance Committee
Loan Committee
(Retired 12/31/2016)

Edward M. Thomas
Governance Committee
Loan Committee
Regulatory Compliance Committee

Jeffrey F. Turner, Chairman of the Board
Audit Committee
Governance Committee
Loan Committee

Robert C. Wheatley
Loan Committee, Chairman
Regulatory Compliance Committee, Chairman

J. Phillips Wright, Jr.
Audit Committee
Governance Committee, Chairman

THE BANK OF DELMARVA

Services

ATM/Debit Card
Auto-Draft (transfer from one account to another)
Direct Deposit - Night Depository - Safe Deposit Boxes
Money Orders - Travelers Checks
TeleBANC
Internet Home Banking
Internet Bill Payment
Consumer Mobile Banking and Mobile Deposit
Online Statements
Cash Management/Remote Deposit Capture
Customer Service – 800-787-4542/410-548-7892

Deposits

Certificates of Deposit - Christmas Club Savings
IRA - Tiered Money Market - NOW
Personal and Business Checking - Savings

Loans

Automobile - Boat - Commercial - Equipment
Commercial Lines of Credit - Home Equity - Home Improvement
Mortgage - Personal - Personal Lines of Credit (Key Line)
SBA and USDA Guaranteed

TeleBANC

410-742-0411 or 866-991-2262

The Bank of Delmarva's quarterly Statement of Condition and Results of Operations as filed with the Federal Deposit Insurance Corporation can be viewed by visiting www.bankofdelmarvahb.com/home/about/investorrealtaions or https://cdr.ffiec.gov/public/ManageFacsimiles.aspx and searching for report "Call\TFR" and name "Bank of Delmarva".

Visit us online @
www.bankofdelmarva.com

Delmar Bancorp Officers

Chairman of the Board - Jeffrey F. Turner

President and Chief Executive Officer - Edward M. Thomas

Vice President - John W. Breda

Secretary - Elizabeth Eicher Holland, CPA

Treasurer and Assistant Secretary - John A. Craig

The Bank of Delmarva Officers

President and Chief Executive Officer
Edward M. Thomas

Executive Vice President and Chief Credit Officer
John W. Breda

Senior Vice President and Chief Financial Officer
Elizabeth Eicher Holland, CPA

Senior Vice President
Deborah S. Abbott • Carl L. Cottingham • John A. Craig
Lawrence L. Dernulc • James C. Johnson

Regional Vice President
James D. Barr

Vice President
John Q. Aukward, Jr.
Karl S. Bystrak
Karin A. D'Armi-Hunt
Marcia L. Dayton
Lisa L. Ellis
Joseph F. Gordy, III
Angela A. Hill
Roy J. Lewis
Sandy L. Nailor
Staci M. Niblett
S. Jeanne Robertson
Matthew P. Shaffer
Jeanette S. Smith
Michele U. Thomas
Gray B. Warrington
J. Paige Widdowson

Internal Auditor
Brooke L. Dickerson, CCBIA

Investment Executive
John Bennish

Assistant Vice President
Carol J. Adams
June E. Betts
Matthew E. Bounds
Kevin J. Christophel
Jodi L. Close
Casey L. Coco
Jamie L. Hovatter
Crystal L. Hudson
Alesia Lukashova
Ramona M. Mullinix
Robin H. Parker
Scott J. Rukowicz
Nancy L. Shrieves
John W. Thornton, III
Kelsey Dickerson Tilghman
Karen M. Turner

Assistant Cashier
Rena I. Bryant
Ashley L. Clevenger
Christine J. Welsh

THE BANK OF DELMARVA
BRANCH OFFICES

Delmar Office
Kevin J. Christophel, Manager
(410)896-9041
9550 Ocean Highway
Delmar, Maryland 21875

North Salisbury Office
Lisa L. Ellis, Manager
(410)742-9401
2727 North Salisbury Boulevard
Salisbury, Maryland 21801

East Salisbury Office
Nancy L. Shrieves, Manager
(410)543-9300
241 Beaglin Park Drive
Salisbury, Maryland 21804

Eastern Shore Drive Office
John Q. Aukward, Jr., Manager
(410)548-1700
921 Eastern Shore Drive
Salisbury, Maryland 21801

Pecan Square Office
Marcia L. Dayton, Manager
(410)546-2100
1206 Nanticoke Road
Salisbury, Maryland 21801

Cash Mgt./Remote Deposit Capture
Karin D' Armi - Hunt
(410)548-1100
2245 Northwood Drive
Salisbury, Maryland 21801

Loan Production Office
James D. Barr, Loan Officer
(302)226-1960
19264 Miller Road, Unit A
Rehoboth Beach, Delaware 19971

Seaford Office
Robin H. Parker, Manager
(302)629-2700
910 Norman Eskridge Highway
Seaford, Delaware 19973

Laurel Office
Kelsey Dickerson Tilghman, Manager
(302)875-5901
200 East Market Street
Laurel, Delaware 19956

Dagsboro Office
Crystal L. Hudson, Manager
(302)732-3610
28280 Clayton Street, Post Office Box 98
Dagsboro, Delaware 19939

Pelican Square Office
June E. Betts, Manager
(302)226-8900
18572 Coastal Highway
Rehoboth Beach, Delaware 19971

North Ocean City Office
Karen M. Turner, Manager
(410)250-5330
12505 Coastal Highway
Ocean City, Maryland 21842

West Office City Office

******COMING SOON******

12720 Ocean Gateway, Unit 4
Ocean City, Maryland 21842

Loan Department
Sandy L. Nailor, Manager
(410)548-1100
2245 Northwood Drive
Salisbury, Maryland 21801

NOTES

NOTES

NOTES