PUBLIC DISCLOSURE

June 7, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bancorp Bank
Certificate Number: 35444

409 Silverside Road, Suite 105
Wilmington, Delaware 19809

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding.**

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The overall rating is based on The Bancorp Bank's (TBB's) Community Reinvestment Act (CRA) performance from July 1, 2018 to December 31, 2020 (the evaluation period). The evaluation period encompassed three Federal Deposit Insurance Corporation (FDIC)-approved strategic plans. Throughout the evaluation period, TBB demonstrated excellent responsiveness to the credit and community development needs of its assessment area, as well as the greater statewide or regional area that includes the assessment area (broader area). TBB's performance collectively under the three strategic plans supports the overall rating. The following comments summarize the bank's performance. (Note: not all goals were applicable to each strategic plan.)

- *Goal 1: Small Business Loans within the Assessment Area (Plans 1 and 2)* – During Plans 1 and 2, the bank originated or purchased 38.9 percent and 50.5 percent of its small business loans, respectively, in the assessment area. This activity met the goal for Satisfactory performance for Plan 1, and met the goal for Outstanding performance for Plan 2.

- *Goal 2: Small Business Loans by Gross Annual Revenue (Plans 1 and 2)* – During Plans 1 and 2, the bank extended 47.6 percent and 81.1 percent of its small business loans, respectively, to businesses with gross annual revenue (GAR) of $1.0 million or less in the assessment area. This activity met the goal for Satisfactory performance for Plan 1, and met the goal for Outstanding performance for Plan 2.

- *Goal 3: Small Business Loans in Low-Income Census Tracts (Plans 1 and 2)* – During Plans 1 and 2, the bank extended 11.9 percent and 24.5 percent of its small business loans, respectively, to businesses located in low-income census tracts in the assessment area. This activity met the goal for Outstanding performance for Plans 1 and 2.

- *Goal 4: Small Business Loans in Moderate-Income Census Tracts (Plans 1 and 2)* – During Plans 1 and 2, the bank extended 42.9 percent and 32.1 percent of its small business loans, respectively, to businesses located in moderate-income census tracts in the assessment area. This activity met the goal for Outstanding performance for Plans 1 and 2.

- *Goal 5: New Community Development Loans and Qualified Investments (Plans 1, 2, and 3)* – During Plans 1, 2, and 3, the bank had 1.05 percent, 0.20 percent, and 0.36 percent of each Plan's average assets, respectively, in new community development loans and qualified investments. This activity met the goal for Outstanding performance for Plans 1 and 2, and met the goal for Satisfactory performance for Plan 3.

- *Goal 6: Existing Qualified Investments (Plans 2 and 3)* – At the conclusion of Plans 2 and 3, the bank had 3.26 percent and 2.61 percent of each Plan's average assets, respectively, in prior period qualified investments outstanding. This activity met the goal for Outstanding performance for both plans.

- *Goal 7: Community Development Grants (Plans 1, 2, and 3)* – During Plans 1, 2, and 3, the bank provided $104,390, $72,500, and $131,689 in qualified grants or donations, respectively. This activity met the goal for Outstanding performance for all three plans.

- *Goal 8: Community Development Services (Plans 1, 2, and 3)* – During Plans 1, 2, and 3, the bank obtained 105 points, 99 points, and 176 hours in community development services, respectively. This activity met the goal for Outstanding performance for all three plans.

DESCRIPTION OF INSTITUTION

Background

TBB is a commercial bank headquartered in Wilmington, Delaware (DE). TBB is a wholly owned subsidiary of The Bancorp, Inc., a one-bank holding company. The bank owns six subsidiaries: TBBK Card Services, Inc. (formerly known as Bancorp Card Services, Inc.); Walnut Street 2014-1 Issuer, LLC; Bancorp Mortgage Asset Transfer, LLC; TBBK Direct Leasing, LLC; McMahon Leasing, Inc.; and McMahon Motors, Inc. The bank acquired the McMahon entities in December 2019 to support its commercial fleet leasing line of business.

TBB is a branchless bank that provides private label banking and technology services to non-bank companies by focusing on high-growth financial service sectors. Under its unique branchless banking model, management establishes contracts with various affinity groups, employee benefits administrators, and prepaid providers as its primary means of gathering low-cost, web-based deposit accounts.

TBB received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated November 13, 2018, using the Interagency Evaluation Procedures for Strategic Plans.

Operations

TBB maintains offices throughout the United States (US) to support its activities, and its main office and operations are headquartered in Wilmington, DE. The Sioux Falls, South Dakota (SD) office houses the FinTech Solutions (formerly the Payment Solutions Group) operation that supports various types of prepaid and debit card programs. The following table illustrates the office locations, types of activity conducted, and the strategic plan(s) that were operational within each office.

Banking Operation Locations				
Activity	**Office Location**	**Plan 1**	**Plan 2**	**Plan 3**
Main Office and Operations	Wilmington, DE	X	X	X
Commercial Fleet Leasing	Crofton, MD	X	X	X
	Kent, WA	X	X	X
	Logan, UT	X	X	X
	Norristown, PA			X
	Orlando, FL	X	X	X
	Raritan, NJ	X	X	X
	Warminster, PA	X	X	X
FinTech Solutions	Sioux Falls, SD	X	X	X
Institutional Banking	Garden City, NY			X
	Jacksonville, FL	X	X	X
	Lake Oswego, OR		X	X
	Leawood, KS			X
	Los Angeles, CA	X	X	X
	New York, NY		X	X
	Washington, DC		X	X
Legal/Compliance	Minneapolis, MN	X	X	
Real Estate Capital Markets now known as Real Estate Bridge Lending	New York, NY	X	X	X
Small Business Lending	Charlotte, NC	X	X	X
	Chesterfield, MO	X	X	X
	Chicago, IL	X	X	X
	Memphis, TN		X	X
	Morrisville, NC		X	X
	Raleigh, NC	X	X	
Source: Bank information				

<u>Business Units</u>

The bank's core business units focus on the following retail and private label banking products and services: Commercial Fleet Leasing, FinTech Solutions, Institutional Banking, Real Estate Bridge Lending, and Small Business Lending. The following highlights TBB’s core business units:

Commercial Fleet Leasing – As a niche creditor in leasing small vehicle fleets, the bank’s national direct leasing program is comprised of vehicles leased to small businesses and government agencies and financing for other equipment.

FinTech Solutions – FinTech Solutions is comprised of payment issuance and the payment acceptance businesses that offer prepaid and digital demand deposit account/debit card programs to FinTech partners and provides merchant acquiring, rapid payments, and automated clearing house (ACH) services. The bank also offers customized, online banking products and services for its wealth management affinity partner brands by linking FDIC insured checking accounts to investment accounts held by the partner. The debit and prepaid card segment is the bank's fastest growing business unit and represents its largest source of deposits. The bank is the nation's largest issuer of prepaid cards, the 7th largest debit card issuer by purchase volume, the 21st largest ACH originator, and the 20th largest ACH receiver in the nation.

Institutional Banking – This business line offers the following deposits, lending, and payments services for clients of wealth management advisors: digital demand deposit account/debit card programs, Securities-Backed Lines of Credit (SBLOC), Insurance-Backed Lines of Credit (IBLOC), and Advisor Financing. SBLOCs are collateralized by marketable securities, and IBLOCs are collateralized by the cash surrender value of insurance policies. In February 2020, the bank launched the Advisor Financing program that provides conventional, unsecured commercial term loans to registered, independent advisory firms. The bank provides these loans for the purpose of mergers, acquisitions, debt restructuring, and succession planning.

Real Estate Bridge Lending – This business unit formerly originated commercial real estate loans for sale in the secondary market through a note sale or securitization process. Retail buildings, office buildings, multifamily complexes, self-storage facilities, industrial premises, and hotels primarily collateralized the loans. In September 2020, the bank exited the Real Estate Capital Markets (RECM) business due to the disruption in capital markets primarily stemming from the COVID-19 pandemic and focused on asset management. In 2021, the bank changed its focus to originating multifamily bridge loans for portfolio retention.

Small Business Lending – Through the Small Business Administration (SBA), the bank participated in the 7(a) and 504 loan programs. For the SBA 7(a) program, small businesses that meet the SBA's size eligibility standards benefit from short- and long-term financing options, a fixed maturity, and no prepayment penalties. Businesses may use loan funds to acquire real estate; refinance current business debt; purchase furniture, fixtures, and supplies; or for working capital. The SBA 504 program is an economic development program that offers small business financing while promoting job growth and creating jobs. The bank's Small Business Lending division may also consider other guaranteed programs, such as the US Department of Agriculture (USDA) Business & Industry program. The bank also participated in all rounds of the SBA's Paycheck Protection Program (PPP).

Ability and Capacity

Bank assets totaled $6.3 billion as of December 31, 2020, which includes total loans of $4.6 billion and total securities of $1.2 billion. TBB reported total deposits of $5.6 billion. Since the prior evaluation, total assets, loans, and deposits increased by 49.0 percent, 110.4 percent, and 46.1 percent, respectively. From the onset of the COVID-19 pandemic, the bank experienced significant increases in total assets, loans, deposits, and transaction volumes. The multiple rounds of government stimulus proceeds (e.g., PPP, Economic Impact Payments, and Economic Injury Disaster Loans) to consumers and businesses and unemployment insurance benefits led to short-term swings in total assets and deposits.

The following table illustrates TBB's loan portfolio as of December 31, 2020:

Loan Portfolio Distribution as of December 31, 2020		
Loan Category	**$ (000s)**	**%**
Construction, Land Development, and Other Land Loans	37,236	0.8
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	44,195	1.0
Secured by Multifamily (5 or more) Residential Properties	1,427,898	31.4
Secured by Nonfarm Nonresidential Properties	602,078	13.2
Total Real Estate Loans	**2,111,407**	**46.4**
Commercial and Industrial Loans	530,441	11.6
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	1,449,758	31.8
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	663	0.1
Lease Financing Receivables	462,182	10.1
Less: Unearned Income	0	0.0
Total Loans	**4,554,451**	**100.0**
Source: Reports of Condition and Income		

The loan portfolio composition remained relatively consistent since the prior evaluation, with the exception of a significant increase in multifamily residential properties due to the cancelled RECM secondary market sale in April 2020.

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its supervisory agency will evaluate its CRA performance. TBB designated a single assessment area that consists of six contiguous counties within the Philadelphia-Camden-Wilmington, Pennsylvania (PA)-New Jersey (NJ)-DE-Maryland Metropolitan Statistical Area (MSA) #37980. The assessment area is in conformance with the CRA regulation and does not arbitrarily exclude low- or moderate-income areas.

<u>Economic and Demographic Data</u>

The bank's assessment area is comprised of 1,129 contiguous census tracts, including all 131 census tracts in New Castle County, DE and all census tracts in Bucks (143), Chester (116), Delaware (144), Montgomery (211), and Philadelphia (384) Counties in PA. New Castle County is part of the Wilmington, DE-Maryland-NJ Metropolitan Division (MD) #48864. Bucks, Chester, and Montgomery Counties comprise the entire Montgomery County-Bucks County-Chester County, PA MD #33874, while Delaware and Philadelphia Counties comprise the entire Philadelphia, PA MD #37964. All three metropolitan divisions are part of the larger Philadelphia-Camden-Wilmington, PA-NJ-DE-Maryland MSA #37980 (Philadelphia, PA-DE MSA).

The assessment area's census tracts reflect the following income designations according to the 2015 American Community Survey (ACS) data:

- 80 low-income,
- 290 moderate-income,
- 380 middle-income,
- 360 upper-income, and
- 19 census tracts with no income designation.

The following table shows the demographic information for the assessment area:

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	1,129	7.1	25.7	33.7	31.9	1.7
Population by Geography	4,615,748	6.8	24.9	35.5	32.4	0.4
Housing Units by Geography	1,880,452	7.0	25.8	34.9	32.2	0.1
Owner-Occupied Units by Geography	1,129,979	3.8	20.1	38.4	37.7	0.0
Occupied Rental Units by Geography	584,905	11.4	33.2	30.7	24.3	0.4
Vacant Units by Geography	165,568	13.0	38.0	26.2	22.7	0.1
Businesses by Geography	502,110	4.2	19.6	35.1	40.5	0.6
Farms by Geography	9,034	1.9	15.2	45.1	37.6	0.2
Family Distribution by Income Level	1,087,326	22.2	17.3	19.5	41.0	0.0
Household Distribution by Income Level	1,714,884	25.3	15.5	16.8	42.4	0.0
Median Family Income - 33874 Montgomery County-Bucks County-Chester County, PA MD		$99,939	Median Housing Value			$248,052
Median Family Income - 37964 Philadelphia, PA MD		$56,411	Median Gross Rent			$1,048
Median Family Income - 48864 Wilmington, DE-MD-NJ MD		$80,707	Families Below Poverty Level			9.8%

Source: 2015 ACS and 2020 D&B Data. Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

Competition

There is intense competition in the assessment area for financial services, including small business and community development loans, investments, and services. The Philadelphia, PA-DE MSA, particularly within Wilmington, DE, is home to several large financial institutions. Aggregate data for 2019 shows that 211 institutions originated or purchased 110,710 small business loans in the assessment area. TBB ranked 63rd with a 0.08 percent market share by number of small business loans originated or purchased. The three most prominent small business lenders in TBB's assessment area were American Express National Bank; JPMorgan Chase, NA; and Wells Fargo Bank, NA. They collectively accounted for 43.7 percent of the market share in 2019.

According to the FDIC Deposit Market Share data as of June 30, 2020, there were 90 financial institutions operating 1,261 full-service branches within TBB's assessment area. Of these institutions, the bank ranked 12th with 1.0 percent deposit market share. As noted previously, TBB is a branchless bank offering most of its banking business online. Capital One, NA and TD Bank, NA had a majority of the deposit market share with 31.6 percent and 27.8 percent, respectively.

Community Contacts

As part of the CRA evaluation process, examiners contact third parties active within the institution's assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs and shows available credit opportunities. In conjunction with this evaluation, examiners reviewed two recently conducted community contacts.

One community contact was an affordable housing organization headquartered in Philadelphia, PA, that serves the Philadelphia regional area. The contact noted that despite the economic challenges brought upon by the COVID-19 pandemic, there has been an overwhelming increase in the demand for the organization's first time homebuyer program. The contact highlighted the need for down payment assistance programs and noted they would like to see more local institutions developing their own in-house loan programs, specifically for low- and moderate-income individuals. Overall, the contact reported that financial institutions are generally responsive to the community's credit needs.

The second community contact reviewed was a Community Development Financial Institution (CDFI) based in Philadelphia, PA that serves Philadelphia and Delaware Counties. The organization focuses on providing microloans to small businesses in underserved and low- and moderate-income neighborhoods. The contact noted that most entrepreneurs have capital needs since most do not have adequate savings. As such, business owners need access to loans to support capital. Unfortunately, some banks are not willing to extend credit to new entrepreneurs. The contact noted that with additional banks participating in the organization's microloan program, small businesses have the financial assistance needed to prosper.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that loan programs for small businesses, particularly those in low- and moderate-income neighborhoods, and loans that support economic development, are the primary credit needs for the assessment area.

SCOPE OF EVALUATION

General Information

Examiners conducted a full-scope review of the bank's CRA performance using the Interagency Evaluation Procedures for Strategic Plans. The strategic plan option allows TBB to tailor its CRA goals and objectives to address the needs of its community consistent with its business strategy, operational focus, and capacity and constraints. Under the strategic plan option, banks are required to specify periodic measureable goals for helping to meet the credit and community economic development needs of the assessment area or a broader area covered by the plan. Goals include levels of lending, investments, and services conducted within low- and moderate-income geographies and targeted to low- and moderate-income individuals, as appropriate. The FDIC must approve the bank's strategic plan prior to its implementation.

This evaluation covers the period from the prior evaluation dated November 13, 2018 to the current evaluation dated June 7, 2021. While the prior performance evaluation was dated November 13, 2018, the evaluation only considered activity up to June 30, 2018; therefore, examiners adjusted the current evaluation period to cover performance from July 1, 2018 through December 31, 2020. Three individual Strategic Plans covered the evaluation period. Plan 1 covered a 12-month review period from July 1, 2018 to June 30, 2019; Plan 2 covered a 6-month review period from July 1, 2019 to December 31, 2019; and Plan 3 covered a 12-month review period from January 1, 2020 to December 31, 2020. The strategic plans include the following goals based on Plan:

Strategic Plans and Goals				
Activity	**Goal Description**	**Plan 1**	**Plan 2**	**Plan 3**
Goal 1	Small Business Loans within the Assessment Area	X	X	
Goal 2	Small Business Loans by GAR	X	X	
Goal 3	Small Business Loans in Low-income Census Tracts	X	X	
Goal 4	Small Business Loans in Moderate-income Census Tracts	X	X	
Goal 5	New Community Development Loans and Qualified Investments	X	X	X
Goal 6	Existing Qualified Investments		X	X
Goal 7	Community Development Grants	X	X	X
Goal 8	Community Development Services	X	X	X

The CRA strategic plan sets forth periodic measureable goals for Satisfactory and Outstanding performance. Examiners reviewed bank performance under each goal and considered each goal's importance to the applicable plan. Examiners reviewed records and reports provided by the bank, publicly available economic and demographic information, as well as other information gathered as part of the evaluation process, including information provided during management interviews and community contacts.

Activities Reviewed

The bank's major product lines include commercial fleet leasing, consumer SBLOC and IBLOC, commercial mortgage-backed security originations, and SBA loans. With the exception of most SBA lending, a majority of loans through these specialty-lending areas do not qualify as small business loans because the loan amounts exceed $1.0 million or the loans are not to small businesses for commercial purposes.

Examiners reviewed all small business loans originated or purchased during the periods applicable to Plans 1 and 2. TBB's lending focus and product mix remained consistent throughout these plans. During Plan 1, the bank originated or purchased 108 small business loans totaling $40.0 million. During Plan 2, the bank originated or purchased 105 small business loans totaling $32.9 million. Since Plan 3 excluded goals for TBB's small business lending performance, examiners did not obtain loan data for this plan.

Bank management provided information on community development loans, investments, grants, donations, and services. The evaluation does not include lending activity performed by any affiliates.

CONCLUSIONS ON PERFORMANCE CRITERIA

During the evaluation period, the bank primarily focused its efforts on affordable housing, small business financing, economic development, and financial education, within the assessment area and the greater statewide and regional area that includes the assessment area. Overall, the bank's performance as compared to its measurable goals, met the standards for Outstanding performance.

The following comments address the bank's performance relative to each goal during the review period based on activity category.

Retail Lending

Goal 1: Small Business Loans within the Assessment Area
In order to meet this goal for Outstanding performance, the bank must originate or purchase 45.0 percent of its small business loans (by number of loans) within the assessment area during the review periods of Plans 1 and 2. In order to meet this goal for Satisfactory performance, the bank must originate or purchase 35.0 percent of its small business loans (by number of loans) within the assessment area during the review periods of Plans 1 and 2.

During Plan 1, the bank originated or purchased 108 small business loans, of which 42 loans (38.9 percent) were in the assessment area. During Plan 2, the bank originated or purchased 105 small business loans, of which 53 loans (50.5 percent) were in the assessment area. TBB met the goal for Satisfactory performance for Plan 1 and met the goal for Outstanding performance for Plan 2. The following table shows the bank's Plan performance in comparison to established goals:

Small Business Loans within the Assessment Area			
Strategic Plan	Bank Established Goals		Bank Performance %
	Satisfactory %	Outstanding %	
Plan 1	35.0	45.0	38.9
Plan 2	35.0	45.0	50.5
Source: Strategic Plans and bank records			

Goal 2: Small Business Loans by Gross Annual Revenue

In order to meet this goal for Outstanding performance, the bank must originate or purchase 60.0 percent of its small business loans (by number of loans) to businesses with GARs of $1.0 million or less within the assessment area during the review periods of Plans 1 and 2. In order to meet this goal for Satisfactory performance, the bank must originate or purchase 48.0 percent of its small business loans (by number of loans) to businesses with GARs of $1.0 million or less within the assessment area during the review periods of Plans 1 and 2.

During Plan 1, the bank extended 47.6 percent of its small business loans to businesses with GARs of $1.0 million or less in the assessment area. During Plan 2, the bank extended 81.1 percent of its small business loans to businesses with GARs of $1.0 million or less in the assessment area. TBB substantially met the goal for Outstanding performance for Plan 1 and met the goal for Outstanding performance for Plan 2. The following table shows the bank's Plan performance in comparison to established goals:

Small Business Loans by Gross Annual Revenue ≤ $1 million Philadelphia, PA-DE MSA Assessment Area #37980			
Strategic Plan	Bank Established Goals		Bank Performance %
	Satisfactory %	Outstanding %	
Plan 1	48.0	60.0	47.6
Plan 2	48.0	60.0	81.1
Source: Strategic Plans and bank records			

Goal 3: Small Business Loans in Low-Income Census Tracts

In order to meet this goal for Outstanding performance, the bank must originate or purchase 10.0 percent of its small business loans (by number of loans) in low-income census tracts within the assessment area during the review periods of Plans 1 and 2. In order to meet this goal for Satisfactory performance, the bank must originate or purchase 5.0 percent of its small business loans (by number of loans) in low-income census tracts within the assessment area during the review periods of Plans 1 and 2.

During Plan 1, the bank extended 11.9 percent of its small business loans to businesses located in low-income census tracts in the assessment area. During Plan 2, the bank extended 24.5 percent of its small business loans to businesses located in low-income census tracts in the assessment area. TBB met the goal for Outstanding performance for Plans 1 and 2. The following table shows the bank's Plan performance in comparison to established goals:

Small Business Loans in Low-Income Census Tracts Philadelphia, PA-DE MSA Assessment Area #37980			
Strategic Plan	Bank Established Goals		Bank Performance %
	Satisfactory %	Outstanding %	
Plan 1	5.0	10.0	11.9
Plan 2	5.0	10.0	24.5
Source: Strategic Plans and bank records			

Goal 4: Small Business Loans in Moderate-Income Census Tracts
In order to meet this goal for Outstanding performance, the bank must originate or purchase 20.0 percent of its small business loans (by number of loans) in moderate-income census tracts within the assessment area during the review periods of Plans 1 and 2. In order to meet this goal for Satisfactory performance, the bank must originate or purchase 15.0 percent of its small business loans (by number of loans) in moderate-income census tracts within the assessment area during the review periods of Plans 1 and 2.

During Plan 1, the bank extended 42.9 percent of its small business loans to businesses located in moderate-income census tracts in the assessment area. During Plan 2, the bank extended 32.1 percent of its small business loans to businesses located in moderate-income census tracts in the assessment area. TBB met the goal for Outstanding performance for Plans 1 and 2. The following table shows the bank's Plan performance in comparison to established goals:

Small Business Loans in Moderate-Income Census Tracts Philadelphia, PA-DE MSA Assessment Area #37980			
Strategic Plan	Bank Established Goals		Bank Performance %
	Satisfactory %	Outstanding %	
Plan 1	15.0	20.0	42.9
Plan 2	15.0	20.0	32.1
Source: Strategic Plans and bank records			

Community Development Lending and Qualified Investments/Grants

Goal 5: New Community Development Loans and Qualified Investments
In order to meet this goal for Outstanding performance, the bank must make new community development loans and/or qualified investments totaling 1.00 percent, 0.20 percent, and 0.45 percent of average assets[1] during the review periods of Plans 1, 2, and 3, respectively. In order to meet this goal for Satisfactory performance, the bank must make new community development loans and/or qualified investments totaling 0.75 percent, 0.15 percent, and 0.35 percent of average assets during the review periods of Plans 1, 2, and 3, respectively.

[1] Examiners calculated average assets for each plan using the average of amounts from Line 9 of Schedule RC-K of the bank's Call Reports for that plan's review period.

The bank provided $45.9 million, $9.8 million, and $21.4 million in new community development loans and qualified investments during Plans 1, 2, and 3, respectively. These amounts represent 1.05 percent, 0.20 percent, and 0.36 percent, respectively, of each Plan's average assets. TBB met the goal for Outstanding performance for Plans 1 and 2, and met the goal for Satisfactory performance for Plan 3. The following table shows the bank's Plan performance in comparison to established goals:

Ratio of New Community Development Loans and Qualified Investments to Average Assets			
Strategic Plan	**Bank Established Goals**		**Bank Performance %**
	Satisfactory %	**Outstanding %**	
Plan 1	0.75	1.00	1.05
Plan 2	0.15	0.20	0.20
Plan 3	0.35	0.45	0.36
Source: Strategic Plans and bank records			

The following are notable examples of new community development loans and qualified investments provided during the evaluation period:

- During Plan 1, the bank purchased a structured multifamily agency security through the Federal Home Loan Mortgage Corporation (FHLMC) for $14.0 million. The investment collateral includes a multifamily mortgage on a 206-unit apartment building in Claymont, DE. Low-income individuals and families lease all the units. This investment supports affordable housing initiatives in the assessment area.

- During Plan 1, the bank purchased a multifamily pass-through security through the Federal National Mortgage Association (FNMA) for nearly $12.2 million. A mortgage on a 165-unit senior apartment building in Philadelphia, PA secures this investment. Housing Assistance Payments (HAP) contracts, issued by the U.S. Department of Housing and Urban Development (HUD), governs these units. The HAP contract supports Section 8 tenant-based housing, which provides housing vouchers for low- and moderate-income families.

- During Plan 2, the bank purchased a multifamily pass-through security through the FHLMC for nearly $5.0 million. A mortgage on a 60-unit apartment building in Fairless Hills, PA secures this investment. The subject property primarily provides housing to low- and moderate-income families.

- During Plan 3, the bank provided a $3.5 million non-revolving line-of-credit to Community First Fund, a Philadelphia-based CDFI. The CDFI used the funds for various microloan programs for women- and minority-owned businesses in underserved and low- and moderate-income neighborhoods in the Philadelphia region. This loan supports economic development in the assessment area.

- During Plan 3, the bank provided a $2.5 million non-revolving line-of-credit to Cinnaire, a CDFI headquartered in Lansing, Michigan with an office in Wilmington, DE. The CDFI used the loan proceeds to fund various community development loan programs for borrowers in low- and moderate-income areas within the assessment area.

Goal 6: Existing Qualified Investments

In order to meet this goal for Outstanding performance, the bank must have prior period qualified investments outstanding totaling 1.50 percent of average assets at the conclusion of Plans 2 and 3. In order to meet this goal for Satisfactory performance, the bank must have prior period qualified investments outstanding totaling 1.25 percent of average assets at the conclusion of Plans 2 and 3.

The bank had $160.9 million and $155.7 million in prior period qualified investments outstanding at the conclusion of Plans 2 and 3, respectively. These amounts represent 3.26 percent and 2.61 percent, respectively, of each Plan's average assets. TBB met the goal for Outstanding performance for Plans 2 and 3. The following table shows the bank's Plan performance in comparison to established goals:

Ratio of Existing Qualified Investments to Average Assets			
Strategic Plan	**Bank Established Goals**		**Bank Performance %**
	Satisfactory %	**Outstanding %**	
Plan 2	1.25	1.50	3.26
Plan 3	1.25	1.50	2.61
Source: Strategic Plans and bank records			

The following are notable examples of existing qualified investments made prior to Plans 2 and 3 that remain outstanding at the conclusion of each Plan:

- The bank purchased eight qualified investments with a total book value of $33.2 million (Plan 2) and $28.4 million (Plan 3) through SBA's Small Business Investment Company (SBIC). SBICs provide long-term loans and/or venture capital at favorable rates to assist businesses with operations and growth potential. These investments support economic development in the assessment area and broader area.

- The bank purchased three participations totaling $2.9 million in municipal housing bonds through the PA Housing Finance Agency. Mortgages on low- and moderate-income public housing units secure the bonds. These mortgages are located in the PA statewide area, which includes the bank's assessment area.

- The bank purchased a FNMA mortgage backed security (MBS) that had a book value of $2.0 million (Plan 2) and $1.8 million (Plan 3). The security's collateral consists of 12 mortgages located throughout the assessment area, all of which were to low- and moderate-income borrowers. This investment supports the bank's affordable housing initiatives within the assessment area.

Goal 7: Community Development Grants
In order to meet this goal for Outstanding performance, the bank must provide $100,000, $62,500, and $125,000 in qualified grants or donations within the assessment area during the review periods of Plans 1, 2, and 3, respectively. In order to meet this goal for Satisfactory performance, the bank must provide $70,000, $50,000, and $100,000 in qualified grants or donations within the assessment area during the review periods of Plans 1, 2, and 3, respectively.

The bank provided $104,390, $72,500, and $131,689 in qualified grants or donations during Plans 1, 2, and 3, respectively. TBB met the goal for Outstanding performance for all three Plans. The following table shows the bank's Plan performance in comparison to established goals:

Community Development Grants and Donations			
Strategic Plan	Bank Established Goals		Bank Performance
	Satisfactory	Outstanding	
Plan 1	$70,000	$100,000	$104,390
Plan 2	$50,000	$62,500	$72,500
Plan 3	$100,000	$125,000	$131,689
Source: Strategic Plans and bank records			

The following are notable examples of qualified grants or donations provided during the evaluation period:

- During Plan 1, the bank donated $40,000 to a CDFI that serves DE and southeastern PA. The CDFI assists business owners and entrepreneurs, especially women, minorities, and those underserved by traditional lenders, with technical expertise and access to capital. This organization supports economic development in the assessment area.

- During Plans 2 and 3, the bank made donations totaling $17,500 to a neighborhood housing organization based in Wilmington, DE. The nonprofit organization helps residents in DE achieve self-sufficiency through economic independence by providing financial management services including budgeting and building credit. This organization supports community development services in the assessment area.

- During Plans 1, 2, and 3, the bank made donations totaling $50,000 to a nonprofit organization in Philadelphia, PA. The organization applied the donated funds to a program that supports new entrepreneurs, nonprofits, job seekers, and inventors in improving their skills through individual guidance in research, public programs, and digital resources. This organization supports economic development in the assessment area.

<u>Community Development Services</u>

Goal 8: Community Development Services
The bank created a point system for Plans 1 and 2 and an hour system for Plan 3 to track community development services by bank personnel within the assessment area and broader area. In order to meet this goal for Outstanding performance, the bank must obtain 65 points, 50 points,

and 175 hours in community development services during the review periods of Plans 1, 2, and 3, respectively. In order to meet this goal for Satisfactory performance, the bank must obtain 50 points, 37.5 points, and 150 hours in community development services during the review periods of Plans 1, 2, and 3, respectively.

The bank obtained 105 points, 99 points, and 176 hours in community development services during Plans 1, 2, and 3, respectively. TBB met the goal for Outstanding performance for all three Plans. The following table shows the bank's Plan performance in comparison to established goals:

Community Development Services			
Strategic Plan	**Bank Established Goals**		**Bank Performance**
	Satisfactory	**Outstanding**	
Plan 1	50 Points	65 Points	105 Points
Plan 2	37.5 Points	50 Points	99 Points
Plan 3	150 Hours	175 Hours	176 Hours
Source: Strategic Plans and bank records			

The following are notable examples of community development services provided during the evaluation period:

- During Plans 1, 2, and 3, an employee served as a board member and vice president of a nonprofit counseling and human service agency based in Chester County, PA. The organization addresses issues relating to family support and child abuse prevention, mental health, financial self-sufficiency, HIV/AIDS, access to transportation, and homelessness and housing insecurity. This organization supports community development services in the assessment area.

- During Plans 1 and 3, many bank employees participated in Junior Achievement of DE's BizTown program. This program combines in-class learning with a daylong visit to a simulated town. The program allows elementary school students to operate banks, manage restaurants, write checks, and vote for a mayor. BizTown helps students connect the dots between what they learn in school and the real world. The bank participated in the program at sessions attended by schools that consist primarily of low- and moderate-income students, as a majority of the students receives free or reduced-priced lunches.

- During Plans 2 and 3, a bank officer represented TBB as a participant with the Community Lenders Community Development Corporation. The organization has provided housing for hundreds of low- and moderate-income individuals. This service supports affordable housing efforts within the assessment area.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five-year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

1. Support affordable housing for low- and moderate-income individuals;
2. Target community services toward low- and moderate-income individuals;
3. Promote economic development by financing small businesses or farms; or
4. Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

(1) Has as its primary purpose community development; and
(2) Except in the case of a wholesale or limited purpose bank:
  (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

(1) Has as its primary purpose community development;
(2) Is related to the provision of financial services; and
(3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;
(2) A poverty rate of 20 percent or more; or
(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.