SMALL BANK

PUBLIC DISCLOSURE

August 25, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Delanco Federal Savings Bank
Charter Number 701993

615 Burlington Ave
Delanco, NJ 08075-4601

Office of the Comptroller of the Currency

1150 Northbrook Drive, Suite 303
Trevose, PA 19053

NOTE: 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.

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

The Lending Test is rated Outstanding.

The major factors that support this rating include:

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, lending-related activities, and Assessment Area (AA) needs;
- A substantial majority of the primary loan products were originated within the institution's AA;
- The distribution of borrowers, given the demographics of the AA, reflects excellent penetration among individuals of different income levels;
- The geographic distribution of loans reflects excellent dispersion throughout the AA; and,
- There were no complaints regarding Community Reinvestment Act (CRA) activities.

Scope of Evaluation

The OCC has evaluated Delanco Federal Savings Bank (DFSB) under the "Small Bank Examination Procedures." The Lending Test for DFSB covered an evaluation of DFSB's Home Mortgage Disclosure Act (HMDA) data from January 1, 2012 through December 31, 2013.

Changes affecting the data used to evaluate CRA performance have been phased in over several years as Federal banking agencies analyze, and adapt to, the most recent census data. These changes continue to impact CRA performance evaluation (PE) data analysis. In February 2013, the Office of Management and Budget revised metropolitan area and census tract geographic definitions and boundaries. The 2010 census data changes beginning January 1, 2012, resulted in changes in AA delineation, HMDA and CRA reportable data, and geocoding from prior years. Thus, a CRA PE would require two separate analyses: one for the January 1, 2011 to December 31, 2011 performance period, and another for the January 1, 2012 to December 31, 2013 performance period. However, the OCC conducted this PE using a limited data analysis, evaluating only the data from January 1, 2012 to December 31, 2013. The OCC considers this approach to be reasonable for DFSB based on its activity. Bank management concurred with the exclusion of the 2011 data.

DFSB's primary loan products are home mortgage loans. The institution reports data under the requirements of HMDA. The OCC tested the reported HMDA data prior to this review and found it to be reliable for the purposes of our analysis. Therefore, the OCC used the reported HMDA data to evaluate home mortgage performance.

Description of Institution

DFSB is a Federally chartered stock institution headquartered in Delanco Township, Burlington County, New Jersey. The organization began in 1890 as the Delanco Building and Loan Association. In 1951, the organization changed its name to Delanco Savings and Loan Association. In 1994, the organization underwent another name change to Delanco Federal Savings Bank after it switched its state charter to a Federally chartered mutual savings bank. In 2002, the bank reorganized from a mutual savings bank to a mutual holding company. In 2006, the bank opened its first branch office on US Route 130, Cinnaminson, New Jersey. In October 2013, the bank switched to a stock corporation, and it is the single, wholly-owned subsidiary of Delanco Bancorp, Inc., a New Jersey corporation. DFSB has two subsidiary organizations. DFSB Properties, LLC, is a real estate holding company that houses foreclosed real estate. DFSB Investments, Inc. is a non-active corporation formerly used to house investments. DFSB's subsidiaries have no impact upon this PE.

DFSB operates two branches. The Delanco Office is situated in a middle-income census tract, while the Cinnaminson Office is situated in an upper-income census tract. The bank has not opened or closed any branches since the last CRA evaluation.

As of June 30, 2014, DFSB had total assets of $126 million and Tier 1 Capital of $12 million. DFSB offers traditional deposit accounts, loan products, and other banking services. Residential mortgages are DFSB's primary lending product. Seventy-five percent of all loans are secured by first mortgages on 1-to-4 family residences. Lending products include conventional and adjustable rate mortgage offerings, as well as home equity loans, lines of credit, and auto loans. The bank also participates in the Affordable Housing Program, which benefits low- and moderate-income families with no down payment loans and no point loans. This program requires a $200 application fee and the borrower must meet the credit requirements. Deposit products and services address the needs of the low- and moderate-income community. Products include no-minimum-balance free checking accounts, low opening threshold savings accounts and individual retirement accounts, and free 24-hour online and telephone banking services that provide live-time balances, transfers, and bill payments. The two branch lobbies are open from 9:00AM to 5:00PM on Monday through Thursday. The lobbies remain open from 9:00AM to 7:00PM on Friday, and 9:00AM to 2:00PM on Saturday. The two drive-ins are open daily, Monday through Friday from 9:00AM to 7:00PM, and Saturday 9:00AM to 2:00PM. Both branches are serviced by automated teller machines (ATMs). A complete listing of deposit products, loan products, rates, branch locations, and hours is found on DFSB's website, www.delancofsb.com.

The bank's June 30, 2014 Call Report information disclosed total net loans of $83 million and total assets of $126 million, resulting in a total loan-to-total asset ratio of 66%. Based upon the Federal Financial Institutions Examination Council (FFIEC) June 30, 2014 State Average Uniform Bank Performance Report, the average total loan-to-total asset ratio for Federally chartered savings bank within the State of New Jersey is 57%. Table 1 provides more detail.

Table 1 - Loan Portfolio Summary by Loan Product
Delanco Federal Savings Bank
June 30, 2014

Loan Category	Amount ($000's)	Percent of Total Loans	Percent of Total Assets
Revolving Loans secured by 1-4 Family Residential	$4,268	5.14%	3.39%
Closed End secured by 1st liens on 1-4 Family Residential	$62,578	75.42%	49.67%
Closed End secured by 2nd liens on 1-4 Family Residential	$3,668	4.42%	2.91%
Secured by Non-Residential/Non-Farm	$7,794	9.39%	6.19%
Construction and Land Development	$1,009	1.22%	0.80%
Commercial & Industrial Loans	$1,558	1.88%	1.24%
Consumer Loans	$755	0.91%	0.60%
Secured by Multi-Family	$1,334	1.61%	1.06%
Other	$9	0.01%	0.01%
Total	**$82,973**	**100.00%**	**65.85%**

Source: June 30, 2014 Uniform Bank Performance Report

At the prior CRA evaluation, DFSB's total assets were $128 million as reported on June 30, 2008. Total assets reported as of June 30, 2014 are $126 million. Total loans decreased $25 million from $108 million as reported on June 30, 2008, to $83 million, as reported on June 30, 2014, a decrease of 23%. The decrease in loans is the result of a Supervisory Agreement (SA) DFSB signed with the Office of Thrift Supervision (OTS) in December 2007. The lending restrictions from the SA are no longer in place.

Permanent mortgage loans on 1-to-4 family residences and secured by first mortgages increased $25 million, from $38 million as reported on June 30, 2008, to $63 million as reported on June 30, 2014, an increase of 66%.

The institution has no financial or legal impediments to meeting the credit needs of the community. The OTS rated the institution **"Outstanding"** at the last CRA evaluation dated August 4, 2008.

Description of Assessment Area

DFSB has a single AA, which consists of 69 contiguous whole census tracts in the western tip of Burlington County, New Jersey. The AA is located within the Camden, New Jersey Metropolitan Division 15804. The Camden, NJ Metropolitan Division 15804 is part of a twelve county, four state Metropolitan Statistical Area (MSA) known as the Philadelphia – Camden – Wilmington, PA – NJ – DE – MD MSA. As of 2011, this MSA was the sixth largest in the United States. While the cities, counties, and states throughout this MSA have separate governments and identities, they are interdependent with one another. Financial institutions, retail stores, and a majority of commerce are linked and networked. Highways, turnpikes, and toll bridges are common and connect businesses and households. Larger airports within the MSA are shared and linked to other metropolitan areas. Numerous employees may live in one state in the MSA and commute to work on a daily basis to an employer in another state within the MSA. Commercial media and advertising venues refer to this MSA as the “Delaware Valley.”

DFSB’s AA is bounded on the north and northwest by the Delaware River and on the west by Camden County. On the east and the south lies the AA’s demarcation periphery, which consists of the Burlington County whole census tract. There are three census tracts to the east, which include one middle-income tract and two moderate-income tracts. On the south, there are six census tracts, which include three upper-income tracts and three middle-income tracts. There are no low-income census tracts within the AA or bordering the AA. DFSB’s defined AA is geographically logical and shows no evidence of exclusion of low- or moderate-income census tracts. Both of DFSB’s branches are located within the AA. The AA meets the requirements of the regulation. Table 2 and Table 3 summarize the demographic information for this AA.

Table 2 - Demographic Information for Delanco Federal Savings Bank AA

Demographic Characteristics	#	% Low	% Moderate	% Middle	% Upper	% NA*
Geographies (Census Tracts)	69	0.00	21.74	47.83	30.43	0.00
Population by Geography	255,413	0.00	16.11	49.51	34.37	0.00
Owner-Occupied Housing by Geography	74,844	0.00	11.65	51.92	36.43	0.00
Businesses by Geography	18,870	0.00	14.71	42.13	43.17	0.00
Farms by Geography	349	0.00	8.88	47.85	43.27	0.00
Family Distribution by Income Level	66,941	16.48	17.96	22.99	42.57	0.00
Distribution of Low and Moderate Income Families throughout AA	23,054	0.00	25.05	51.21	23.74	0.00
Median Family Income HUD Adjusted Median Family Income for 2013 Households Below the Poverty Level	= $83,092 = $86,200 = 6.33%	Median Housing Value Unemployment Rate **			= $282,089 = 7.1**%**	

Source: 2010 U.S. Census Data and 2013 HUD updated MFI

(*) The NA category consists of geographies that have not been assigned an income classification.

Table 3.	**Additional Demographic Information for the Delanco Federal Savings Bank AA**							
Geographic Income Category	**% Family Distribution**	**Census Tract Data Distributions**						
		# Tracts	**% Housing Units**	**% Owner Occupied Units**	**% Rental Occupied Units**	**% Single Family Units**	**Median Housing Value**	**Median Housing Age**
Low	0.00%	0	0.00%	0.00%	0.00%	0.00%	N/A	N/A
Moderate	14.48%	15	18.27%	11.65%	37.81%	14.98%	$173,051	52
Middle	49.90%	33	49.21%	51.92%	43.12%	50.27%	$247,832	39
Upper	35.63%	21	35.63%	36.43%	19.07%	34.75%	$363,629	34
Total #	**66,941**	**69**	**101,629**	**74,844**	**21,920**	**84,956**	**$282,089**	**40**

Source: 2010 U.S. Census Data

According to 2010 U.S. Census Data, there are a total of 69 census tracts in this AA. The AA consists of a contiguous area of the western tip of Burlington County, New Jersey, which includes zero low- income tracts (0%), 15 moderate-income tracts (14%), 33 middle-income tracts (50%), and 21 upper-income tracts (36%).

The 2010 U.S. Census Data also shows the total population of the AA is 255,413 people. The AA contains 66,941 households that are families. There are 101,629 housing units, of which 74% are owner-occupied, and 22% are renter-occupied. Of the total number of housing units, 84% are single-family and 16% are multi-family. The median housing value for the AA is $282,089, while the median housing value in the moderate-income tracts is $173,051. The median gross rent amount is $1,076 per month.

Based upon 2010 Census Data, the median family income was $83,092, and the 2013 HUD updated median family income was $86,200. Approximately 16% of the families in the AA are categorized as low-income, 18% are moderate-income, 23% are middle-income, and 43% are upper-income. Approximately 6% percent of households are below the poverty level. Table 4 depicts the maximum income amount for each income range in DFSB's AA.

Table 4. - Definition of Income Ranges Used in the Evaluation					
	Maximum Income in for Income Range				**HUD Adjusted 2013 Income***
	Low	**Moderate**	**Middle**	**Upper**	
	<50%	**50%-<80%**	**80%-<120%**	**≥120%**	
Delanco FSB AA	**$43,110**	**$68,959**	**$103,439**	**>$103,440**	**$86,200**

Median Family Income as of 2010 Census was $83,092. The 2013 updated HUD Adjusted MFI is $86,200.

The economy of DFSB's AA is part-and-parcel of the economy of the locally defined Delaware Valley. Based upon the June 2014 Federal Reserve Bank's Beige Book, business activity continues to grow at a moderate pace. General sales showed moderate growth; however, auto sales showed "phenomenal" growth. Manufacturing, construction, lending activity, and tourism all showed moderate growth. Corporate capital expenditures were modest, while employment growth remained cautious. Lending quality showed slight improvement. The projected rebound in home sales and construction, anticipated to occur in 2013 and early 2014, did not materialize.

The largest private employers in Burlington County, New Jersey, are Virtua Hospital and Health Care, Burlington Stores (Burlington Coat Factory), and Lockheed-Martin. Other industries that provide major sources of jobs are the healthcare industry, county governments, public and private education, insurance and finance, retail and convenience stores, and transportation.

The U.S. Bureau of Labor Statistics reveals an overall increase in unemployment since the prior evaluation in August 2008. The increased unemployment is the result of major downsizing of corporations within the county, as well as county and local government downsizing of public sector workers. The unemployment rate in Burlington County is 7.1% as of July 2014, compared with 5.3% in August 2008. The July 2014 unemployment rate for the Camden, New Jersey Metropolitan Division 15804 is 7.5%, compared with 5.7% in August 2008. Unemployment is higher in the AA than the New Jersey rate of 6.5% as of July 2014, and the overall U.S. rate of unemployment of 6.2% as of July 2014.

DFSB operates in an intensely competitive market. Competition comes from large nationwide and regional institutions, mortgage companies, savings banks, credit unions, captive finance companies, and large credit-card companies capturing the small business market. Based upon the most recent Federal Deposit Insurance Corporation (FDIC), Summary of Deposits Report dated June 30, 2013, there are 22 financial institutions with 127 branch offices competing for $8.8 billion of deposits within DFSB's AA. The three largest banks in the AA control a 56% market share of all deposits. They are TD Bank with 19 branches and a 27% market share of $2.4 billion; Wells Fargo with 14 branches and a 15% market share of $1.4 billion; and Beneficial with 19 branches and a 14% market share of $1.3 billion. DFSB has two branches and a 1% market share of $118 million.

Based upon the most recent 2012 Northeast Peer Mortgage Data, there were 363 lending institutions within DFSB's AA competing for 18,235 mortgage applications. The three largest competitors were Wells Fargo with a 21% market share or 3,755 applications; JP Morgan-Chase with a 6% market share or 1,282 applications; and TD Bank with a 4% market share or 861 applications. DFSB is ranked 40th with a market share of 0.33% or 60 applications.

Lending opportunities in DFSB's AA that support low-income geographies are non-existent since there are no low-income census tracts within the AA. The demographics of low- and moderate-income borrowers make it difficult to satisfy all of the CRA needs of all of the various banks within the AA, due to the large market share of the nationwide and regional banks.

We contacted a local economic development organization to ascertain community needs. The contact indicated a need to fund rehabilitation for single-family housing for low- and moderate-income families as well as the funding of new construction and rehabilitation of multi-unit permanent rental housing units. The organization is also a strong advocate of the Affordable Housing Program. In addition, the organization also indicated a strong need for housing counseling programs to educate for relocation assistance, assist with back-rent issues, assist with mortgage delinquencies and default counseling, and provide fair-housing counseling.

Conclusions with Respect to the Lending Test

DFSB's performance under the lending test meets the standards for an Outstanding rating. The bank's loan-to-deposit ratio is more than reasonable, a substantial majority of the home mortgage loans were made within its AA; the distribution of loans to borrowers of low- and moderate-income is excellent, the geographic distribution of loans is excellent, and no CRA complaints were recorded during the evaluation period.

Loan-to-Deposit Ratio

DFSB's net loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, lending-related activities, and credit needs of the AA. The institution's net loan-to-deposit ratio averaged 84.37% over the last 25 quarters since the bank's previous CRA examination. This ratio ranged from a quarterly low of 70% to a quarterly high of 93% during the time period. At the prior examination in April 2008, DFSB's loan-to-deposit ratio averaged 79% for the preceding eight quarters.

This ratio is considered to be outstanding, when compared to the New Jersey average of 73.70% for all insured savings institutions during the same time period, and the national average of 85.42% for all insured savings institutions with assets less than $300 million and greater than $100 million during the same time period.

Lending in Assessment Area

A substantial majority of home mortgage loans made during the performance period were made within DFSB's AA. A review of the number of HMDA loans made during the performance period shows that 82% were made within the bank's AA. In addition, based upon discussion with bank management, it was reported that approximately 18% of home mortgage loans made outside the AA were to bank customers who reside within the AA, for the purchase, improvement or refinance of second vacation homes. Refer to Table 5.

Table 5 **Loan Type**	**Loans Inside AA**	**Loans Outside AA**	**Total Number**
Home Purchase	11	7	18
Home Refinance	74	15	89
Home Improvement	35	5	40
Total	120	27	147
% Inside/Outside AA	**81.63%**	**18.37%**	

Source: HMDA LARS 1/1/2012 to12/31/2013

Lending to Borrowers of Different Incomes

The distribution of borrowers, given the demographics of the AA, reflects excellent penetration among individuals of different income levels, including low- and moderate-income individuals.

The bank collects information regarding borrower income during its regular course of business. A review of this information, against Northeast Peer Data reports, shows DFSB has originated a significantly small market-share of home mortgage loans within its AA during the evaluation period. As previously stated, this is a result of competition from large nation-wide and regional banks with large marketing budgets and branch networks.

A strict comparison of DFSB's percentage of loans made to low- and moderate-income families against the percentage of low- and moderate-income families within the AA was given less weight due to the low numbers of market share. DFSB only originated seven home purchase loans. More weight in this performance area was given to the percentage of loans made to low- and moderate-income individuals versus the aggregate percentage of loans made by all banks to low- and moderate-income individuals within the AA.

When considering home improvement loans made to low- and moderate-income families, DFSB's performance exceeded the aggregate percentage for low-income families and significantly exceeded the aggregate percentage for moderate-income families. When considering home refinance loans made to low-income families, DFSB significantly exceeded the aggregate percentage, and was near to the aggregate percentage for moderate-income families.

Home Purchase Loans

The percentage of home purchase loans made to low-income families is less than the percentages of low-income families within the bank's AA. The percentage of home purchase loans made to moderate-income families is less than the percentages of moderate-income families within the bank's AA. The percentage of home purchase loans to low-income families exceeds the aggregate percentage of all home purchase loans made by banks within the AA to low income families. The percentage of home purchase loans to moderate- income families is less than the aggregate. Refer to Table 6.

Table 6	**Home Purchase Loans**		
Borrower Income Category	**% of Families**	**% of Bank Loans**	**% of Aggregate**
Low	16.48	14.29	12.99
Moderate	17.96	14.29	31.21
Middle	22.99	42.86	25.88
Upper	42.57	28.57	29.91

Source: Based on 2012 Peer Mortgage Data (NE)

Home Improvement Loans

The percentage of home improvement loans made to low-income families is less than the percentages of low-income families within the bank's AA. The percentage of home improvement loans made to moderate-income families significantly exceeds the percentages of moderate-income families within the bank's AA. The percentage of home improvement loans to low-income families exceeds the aggregate percentage of all home improvement loans made by banks within the AA to low income families. The percentage of home improvement loans to moderate-income families significantly exceeds the aggregate. Refer to Table 7.

Table 7
Home Improvement Loans

Borrower Income Category	% of Families	% of Bank Loans	% of Aggregate
Low	16.48	12.50	10.75
Moderate	17.96	41.67	20.33
Middle	22.99	16.67	28.04
Upper	42.57	29.17	40.89

Source: Based on 2012 Peer Mortgage Data (NE)

Home Refinance Loans

The percentage of home refinance loans made to low-income families exceeds the percentages of low-income families within the bank's AA. The percentage of home refinance loans made to moderate-income families is near to the percentages of moderate-income families within the bank's AA. The percentage of home refinance loans to low-income families exceeds the aggregate percentage of all home refinance loans made by banks within the AA to low income families. The percentage of home refinance loans to moderate-income families is near to the aggregate. Refer to Table 8.

Table 8 **Home Refinance Loans**

Borrower Income Category	% of Families	% of Bank Loans	% of Aggregate
Low	16.48	17.24	7.92
Moderate	17.96	15.52	17.79
Middle	22.99	32.76	27.61
Upper	42.57	34.48	46.88

Source: Based on 2012 Peer Mortgage Data (NE)

Geographic Distribution of Loans

The distribution of home mortgage loans within the AA reflects excellent penetration among geographies of different income levels.

Geographic Distribution of Residential Real Estate Loans

The AA does not contain low-income census tracts.

The bank did not originate or purchase any home purchase loans within moderate-income tracts within its AA. As previously stated, the market share of seven home purchase loans is too small to provide meaningless analysis; therefore, no weight is given to this category of loans.

The percentage of home improvement loans made by DFSB meets the percentage of owner occupied units within the AA. In addition, the percentage of home improvement loans made by DFSB exceeds the aggregate percentage of all loans made by financial institutions within the AA.

The percentage of home refinance loans made by DFSB is near to the percentage of owner-occupied units within the AA. In addition, the percentage of home refinance loans made by DFSB exceeds the aggregate percentage of all loans made by financial institutions within the AA. Refer to Table 9.

Table 9 - Geographic Distribution of Residential Real Estate Loans in AA

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	11.65	0.00	51.92	57.14	36.43	42.86
Home Improvement	0.00	0.00	11.65	11.54	51.92	73.08	36.43	15.38
Home Mortgage Refinance	0.00	0.00	11.65	10.34	51.92	48.28	36.43	41.38

Source: 2012 Peer Mortgage Data (NE)

TYPE LOAN	% of Bank Loans In Low Income Geographies	% of Bank Loans in Moderate Income Geographies	Aggregate HMDA Lending (%) by Tract Income			
.			**Low**	**Mod**	**Mid**	**Upp**
Home Purchase	**0.00**	**0.00**	**0.00**	**10.04**	**51.13**	**38.83**
Home Improvement	**0.00**	**11.54**	**0.00**	**8.30**	**49.56**	**42.14**
Home Refinance	**0.00**	**10.34**	**0.00**	**7.02**	**50.12**	**42.86**

Source: 2012 Peer Mortgage Data (NE)

Responses to Complaints

DFSB did not receive any CRA complaints during the period from August 4, 2008 to August 25, 2014.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.