S&T BANCORP INC
Form PRE 14A
March 06, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

x Filed by the Registrant

¨ Filed by a Party other than the Registrant

Check the appropriate box:

x Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

S&T Bancorp, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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S&T Bancorp, Inc.

800 Philadelphia Street

Indiana, Pennsylvania 15701

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 21, 2008

To the Shareholders of

S&T Bancorp, Inc.:

Notice is hereby given that the Annual Meeting of Shareholders of S&T Bancorp, Inc. (S&T) will be held on April 21, 2008, at 10:00 a.m., Eastern Time, at the S&T Training and Support Center, located at 355 North Fifth Street, Indiana, Pennsylvania 15701, for the purpose of considering and voting on the following matters:

1. The election of four directors to serve terms expiring in 2011;

2. To amend the Articles of Incorporation and By-laws of S&T to provide for the annual election of all directors;

3. To ratify the selection of KPMG LLP as independent registered public accounting firm for the fiscal year 2008; and

4. The transaction of such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on February 27, 2008 are entitled to notice of and to vote at such meeting or any adjournment thereof.

By Order of the Board of Directors,

/s/ Robert E. Rout
Robert E. Rout

Secretary

Indiana, Pennsylvania

March 19, 2008

IMPORTANT

YOUR VOTE IS IMPORTANT. IN ORDER TO ASSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, PLEASE MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY AS SOON AS POSSIBLE IN THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED FOR MAILING IN THE UNITED STATES.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ELECTION AS DIRECTORS OF THE NOMINEES NAMED IN THIS PROXY STATEMENT, FOR THE AMENDMENTS TO S&T S ARTICLES

OF INCORPORATION AND BY-LAWS TO PROVIDE FOR THE ANNUAL ELECTION OF ALL DIRECTORS AND FOR THE RATIFICATION OF THE SELECTION OF KPMG LLP AS INDEPENDENT REGISTERED ACCOUNTING FIRM FOR FISCAL YEAR 2008.

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF

PROXY MATERIALS FOR THE 2008 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 21, 2008.

S&T s Proxy Statement for the 2008 Annual Meeting of Shareholders, and S&T s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 are available at http://ww3.ics.adp.com/streetlink/stba.

IMPORTANT NOTICE REGARDING DELIVERY OF SECURITY HOLDER DOCUMENTS

The Securities and Exchange Commission (the SEC) has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process is commonly referred to as householding.

S&T has implemented householding in an effort to reduce the number of duplicate mailings to the same address. This process benefits both shareholders and S&T, because it eliminates unnecessary mailings delivered to your home and helps to reduce S&T s expenses. Householding is not being used, however, if S&T has received contrary instructions from one or more of the shareholders sharing an address. If your household has received only one annual report and one proxy statement, S&T will deliver promptly a separate copy of the annual report and the proxy statement to any shareholder who contacts S&T s transfer agent, American Stock Transfer & Trust Company (AST), by calling their toll-free number, 1-800-937-5449, or by mail to the attention of the Shareholder Relations Department at 59 Maiden Lane, Plaza Level, New York, New York 10038. You can also notify S&T that you would like to receive separate copies of S&T s annual report and proxy statement in the future by calling AST. Even if your household has received only one annual report and one proxy statement, S&T will continue to send a separate proxy card for each shareholder residing at your address. Please note, however, that if you also hold shares of S&T in street name (e.g., in a brokerage account or retirement plan account) you may continue to receive duplicate mailings.

Each proxy card should be signed, dated and returned in the enclosed self-addressed envelope. If your household has received multiple copies of S&T s annual report and proxy statement, you can request the delivery of single copies in the future by calling AST, as instructed above, or your broker, if you hold the shares in street name.

S&T BANCORP, INC.

2008 PROXY STATEMENT

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S&T BANCORP, INC.

PROXY STATEMENT FOR

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 21, 2008

INTRODUCTION

This Proxy Statement is being furnished to shareholders of S&T Bancorp, Inc. (S&T) in connection with the solicitation of proxies by the Board of Directors of S&T (the S&T Board) for use at the Annual Meeting of Shareholders, and any adjournments thereof, to be held at the time and place set forth in the accompanying notice (Annual Meeting). This Proxy Statement is being mailed to shareholders on or about March 19, 2008. At the Annual Meeting, shareholders of S&T will be asked to elect four directors of S&T to serve terms expiring in 2011, to approve the amendment to S&T s Articles of Incorporation and By-laws to provide for the annual election of all directors, and to approve the ratification of the selection of KPMG LLP as independent registered public accounting firm for the fiscal year 2008.

All shareholders are urged to read this Proxy Statement carefully and in its entirety.

MEETING INFORMATION

Date, Place and Time

The Annual Meeting will be held on April 21, 2008, at 10:00 a.m., Eastern Time, at the S&T Training and Support Center, located at 355 North Fifth Street, Indiana, Pennsylvania.

Record Date, Voting Rights

The securities that can be voted at the Annual Meeting consist of shares of common stock of S&T, par value $2.50 per share (Common Stock), with each share entitling its owner to one vote on all matters. Only holders of the Common Stock at the close of business on February 27, 2008 (the Record Date) will be entitled to notice of and to vote at the Annual Meeting. There were 3,024 record holders of the Common Stock and 24,586,486 shares of Common Stock outstanding as of the Record Date.

A quorum is required for the transaction of business at the Annual Meeting. A quorum is the presence at the meeting, in person or represented by proxy, of the holders of the majority of the outstanding shares. Abstentions are counted for purposes of determining presence or absence of a quorum, but are not considered a vote cast under Pennsylvania law. Abstentions will not affect the outcome of a vote on a particular matter, except in the case of Proposal 2, it will have the same effect as a vote against the proposal. Shares held by brokers in street name and for which the beneficial owners do not vote on a particular proposal because the brokers do not have discretionary voting power and have not received instructions from the beneficial owners to vote on that item are called broker non-votes. Broker non-votes are counted to determine if a quorum is present, but are not considered a vote for or against for determining the votes cast under Pennsylvania law. Any broker non-votes will have the same effect as a vote against in Proposal 2.

The director nominees will be elected by a plurality of the votes cast at the Annual Meeting, which means that the four nominees receiving the most votes will be elected. A withheld vote on any nominee will not affect the voting results. Proposal 3 and all other matters to be considered at the Annual Meeting require a majority of the votes cast at the meeting to be approved. Proposal 2 requires the affirmative vote of at least sixty six and two-thirds percent of the outstanding shares of Common Stock to be approved.

Voting and Revocation of Proxies

If the appropriate enclosed form of proxy is properly executed and returned to S&T in time to be voted at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked

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thereon. Executed but unmarked proxies will be voted FOR the director nominees proposed by the S&T Board, which are presented in this Proxy Statement, FOR the amendments to S&T s Articles of Incorporation and By-laws for the annual election of all directors, and FOR ratification of the selection of the independent registered accounting firm for fiscal year 2008. Except for procedural matters incident to the conduct of the Annual Meeting, S&T does not know of any matters other than those described in the Notice of Annual Meeting that are to come before the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in the accompanying proxy will vote the shares represented by the proxies in their discretion on such matters as recommended by a majority of the S&T Board.

The presence of a shareholder at the Annual Meeting will not automatically revoke such shareholder s proxy. However, shareholders may revoke a proxy at any time prior to its exercise by filing with the Secretary of S&T a written notice of revocation, by delivering to S&T a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person.

Solicitation of Proxies

The cost of soliciting proxies in the form enclosed herewith will be borne by S&T. In addition to the solicitation of proxies by mail, S&T, through its directors, officers and regular employees, may also solicit proxies personally or by telephone. S&T also will request persons, firms and corporations holding shares of Common Stock in their names or in the name of their nominees, which are beneficially owned by others, to send proxy material to and obtain proxies from the beneficial owners and will reimburse the holders for their reasonable expenses in so doing.

PRINCIPAL BENEFICIAL OWNERS OF S&T COMMON STOCK

Under Section 13(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), a beneficial owner of a security is any person who directly or indirectly has or shares voting power or investment power over such security. Such beneficial owner under this definition need not enjoy the economic benefit of such securities. The following are the only shareholders known to S&T to be deemed to be a beneficial owner of 5% or more of Common Stock as of December 31, 2007:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	S&T Bank, Wealth Management Group 800 Philadelphia Street, Indiana, PA 15701	2,547,098(1)	10.4%
Common Stock	Ariel Capital Management, LLC 200 E. Randolph Drive, Suite 2900 Chicago, IL 60601	3,078,153(2)	12.5%

(1) Wealth Management Group (WMG) has sole voting power for 1,522,003 of these shares and no voting power for 141,753 of these shares held in customer accounts. It is the intention of management to vote the shares for which it has sole voting power FOR the director nominees named in this Proxy Statement and any other matters to be acted upon at the Annual Meeting. The remaining 883,342 shares of Common Stock are held by WMG as trustee of the Thrift Plan for Employees of S&T Bank (the Thrift Plan). The Thrift Plan participants will vote such shares directly through AST, S&T s transfer agent. AST will vote any allocated shares for which it has not received any instruction in the same proportion as shares for which voting instructions have been received.

(2) According to its Form 13G/A filed with the SEC on February 13, 2008, Ariel Capital Management, LLC has sole dispositive power for 3,078,153 shares, with sole voting power for 1,387,078 of these shares.

S&T is not aware of any other person who beneficially owns more than 5% of any class of securities of S&T other than those listed above.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires S&T s directors and executive officers, and persons who own more than 10% of S&T s stock, to report to the SEC certain of their transactions with respect to S&T s Common Stock. The SEC reporting rules require that changes in beneficial ownership generally be reported on Form 4 within two business days after the date on which the change occurs. A Form 3 to report stock holdings in S&T must be filed within ten days of when a director, executive officer or person who owns more than 10% of S&T s stock becomes subject to Section 16(a) of the Exchange Act.

During 2007, all directors and executive officers timely filed all required reports of beneficial ownership and changes in beneficial ownership, with the exception of the following: Executive Officers David P. Ruddock, Thomas E. Kiral and Todd D. Brice each did not file a Form 4 within two business days for a sale of shares. Executive Officer David G. Antolik and Director Alan Papernick each did not file a Form 4 within two business days for a purchase of shares indirectly owned. These late filings were inadvertent, and the required filings have since been made. Executive Officers David G. Antolik, Todd D. Brice, Edward C. Hauck, Tony E. Kallsen, Thomas E. Kiral, David L. Krieger, James C. Miller, Malcolm E. Polley, Robert E. Rout, David P. Ruddock and Gregor T. Young who were the recipients of the December 17, 2007 grant of restricted shares of Common Stock as short-term incentive awards did not file a Form 4 within two business days of the grant date. The exact number of restricted shares could not be calculated until S&T s books were closed in early January 2008. After the recipients received a letter stipulating the number of shares granted, all of the Form 4s were filed.

BENEFICIAL OWNERSHIP OF S&T COMMON STOCK BY DIRECTORS AND OFFICERS

The following table sets forth, as of February 27, 2008, the amount and percentage of Common Stock beneficially owned by each director, each nominee for director and the Named Executive Officers (as defined below) of S&T, as well as the directors and executive officers of S&T as a group. Unless otherwise indicated, all persons listed below have sole voting and investment power of all shares of Common Stock. The business address of each of S&T s directors and officers is 800 Philadelphia Street, Indiana, Pennsylvania 15701.

Name	Shares of Common Stock Beneficially Owned(1)	Percent Owned
Thomas A. Brice	144,039	*
Todd D. Brice(2)	95,637	*
James L. Carino	310,631	1.26%
John J. Delaney	84,652	*
Michael J. Donnelly	32,411	*
William J. Gatti(2)	45,055	*
Jeffrey D. Grube	37,135	*
Edward C. Hauck	35,604	*
Frank W. Jones	46,961	*
Joseph A. Kirk	78,872	*
David L. Krieger	32,008	*
Samuel Levy	172,851	*
James V. Milano(2)	4,097	*
James C. Miller	173,464	*
Christine J. Olson	172,323	*
Alan Papernick	38,405	*
Robert E. Rout	63,628	*
Charles A. Spadafora(2)	68,684	*
All directors and executive officers as a group (26 persons)	1,897,711	7.49%

(1) May include shares held by spouse, other family members, as trustee or through a corporation. Includes shares issuable upon the exercise of nonstatutory stock options exercisable within 60 days of February 27,

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2008: Mr. Thomas Brice, 29,250 shares; Mr. Todd Brice, 38,750 shares; Mr. Carino, 29,250 shares; Mr. Delaney, 29,250 shares; Mr. Donnelly, 14,250 shares; Mr. Gatti, 29,250 shares; Mr. Grube, 29,250 shares; Mr. Hauck, 21,500 shares; Mr. Jones, 29,250 shares; Mr. Kirk, 29,250 shares; Mr. Krieger, 21,500 shares; Mr. Levy, 29,250 shares; Mr. Miller, 112,500 shares; Ms. Olson, 29,250 shares; Mr. Papernick, 29,250 shares; Mr. Rout, 41,500 shares; Mr. Spadafora, 24,250 shares; and all other executive officers as a group, 194,750 shares. Mr. Miller disclaims beneficial ownership of 17,760 shares that are directly owned by his spouse. Mr. Thomas Brice disclaims beneficial ownership of 47,296 shares that are directly owned by his spouse. Mr. Carino disclaims beneficial ownership of 223,808 shares that are directly owned by JLC Partners, L.P. Mr. Papernick disclaims beneficial ownership of 4,000 shares held in trust for his grandchildren.

(2) Nominee for election to the S&T Board.

* Less than 1% of the outstanding Common Stock.

PROPOSAL 1 ELECTION OF DIRECTORS

General

The By-laws of S&T provide that the number of directors constituting the S&T Board shall consist of not less than 12 nor more than 25. Currently, there are 16 directors on the S&T Board. The S&T Board has determined that the following directors are independent under the Nasdaq listing standards: Mr. Carino, Mr. Delaney, Mr. Donnelly, Mr. Grube, Mr. Jones, Mr. Kirk, Mr. Levy, Mr. Milano, Mr. Papernick, and Mr. Spadafora. As previously disclosed, Mr. Levy, a Class 3 Director, will retire from the Board effective on the date of the Annual Meeting. Currently, the Articles of Incorporation of S&T provide for the classification of directors into three classes, as equal in number as possible, with approximately one-third of the directors elected annually for three-year terms. Certain information about the Nominees (Class 3 Directors), whose current terms will expire at the 2008 Annual Meeting and who are presently members of the S&T Board and the S&T Bank Board, is set forth below:

Class 3 Director Nominees Whose Terms Will Expire at the 2011 Annual Meeting:

Name	Age	Principal Occupation During Past 5 Years	Director Since
Todd D. Brice[4]	45	President and Chief Operating Officer of S&T and S&T Bank, formerly Executive and Senior Vice President of Commercial Lending at S&T and S&T Bank	2005
William J. Gatti	66	Formerly Chairman Millennium Pharmacy Systems, Inc.	1993
James V. Milano[1,3]	48	Certified Public Accountant, Independent Consultant and formerly Chief Financial Officer, NEP Supershooters L.P.	2006
Charles A. Spadafora[2]	66	President, Colonial Motor Mart	1987

Certain information about the directors whose terms continue (Class 1 and Class 2 Directors), who are directors of S&T and S&T Bank, is set forth below:

Class 1 Directors Whose Terms Expire at the 2009 Annual Meeting:

Name	Age	Principal Occupation During Past 5 Years	Director Since
John J. Delaney[2,3]	66	President, Delaney Chevrolet, Buick, Honda, Hyundai, Subaru	1987
Michael J. Donnelly[2,3]	50	President, Indiana Printing and Publishing Company, Inc.	2001
Frank W. Jones[1,3]	63	Attorney-at-Law, Independent Practice	1997
Christine J. Olson	51	Chairman and Chief Executive Officer, S. W. Jack Drilling Company, and Partner, C&N Company Gas Drillers and Producers	1984
Alan Papernick[2]	70	Attorney-at-Law, Papernick and Gefsky, LLC	1997

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Class 2 Directors Whose Terms Expire at the 2010 Annual Meeting:

Name	Age	Principal Occupation During Past 5 Years	Director Since
Thomas A. Brice	68	Vice President, Douds, Inc. Retail Interior Furnishings	1980
James L. Carino	75	President, J.L. Carino Nurseries, Inc.	1987
Jeffrey D. Grube(1,3)	54	President, B.F.G. Manufacturing Service, Inc.	1997
Joseph A. Kirk(1,2)	68	President, Beaver Meadow Creamery, Inc.	1993
David L. Krieger	64	Formerly, Senior Executive Vice President and Commercial Lending Group Manager of S&T Bank	2007
James C. Miller	62	Chairman and Chief Executive Officer of S&T and S&T Bank, formerly President of S&T and S&T Bank	1993

(1) Member of the Audit Committee of S&T Bank and S&T.
(2) Member of the Compensation and Benefits Committee of S&T Bank and S&T.
(3) Member of the Nominating and Corporate Governance Committee of S&T Bank and S&T.
(4) Director Todd D. Brice is the son of Director Thomas A. Brice.

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

CORPORATE GOVERNANCE

Board and Committee Meetings

The S&T Board has implemented a formal policy that strongly encourages director attendance at the annual meeting of shareholders. In 2007, all of S&T s directors attended the annual meeting of shareholders.

During 2007, the S&T Board held eleven full board meetings, with the following number of meetings held by the S&T Board committees: Audit, five; Compensation and Benefits, three; Nominating and Corporate Governance, five; and Wealth Management Group Oversight, four. All directors attended at least 75% of the total number of meetings of the S&T Board and committees. Director Krieger was appointed in October 2007 and attended at least 75% of the meetings subsequent to his appointment.

Audit Committee

The members of the Audit Committee are Joseph Kirk, Jeffrey Grube, Frank Jones and James Milano. All members meet the independence standards for audit committees established by the SEC and Nasdaq. A written charter approved by the S&T Board governs the committee and includes the provisions required by the Nasdaq listing standards. A copy of the charter is included on S&T s website www.stbancorp.com, under Corporate Governance. The committee has provided information regarding the functions performed by the committee and its membership in the Report of the Audit Committee, included in this Proxy Statement on page 32. James V. Milano has been designated by the S&T Board as S&T s audit committee financial expert. The S&T Board has determined that Mr. Milano meets the qualifications of an audit committee financial expert under SEC regulations adopted under the Sarbanes-Oxley Act of 2002. Mr. Milano is a C.P.A. with 20 years of public accounting experience including managing partner of Datemasch Milano & Associates and five years of experience serving as CFO of NEP Supershooters L.P. He has a B.S. in business administration and an M.S. in taxation. This experience and education has given Mr. Milano an understanding of U.S. generally accepted accounting principles and financial statements; the ability to assess general applications of such principles in connection with accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements presenting a breadth and level of complexity of accounting issues that are comparable to S&T s financial statements; an understanding of internal control over financial reporting; and an understanding of audit committee functions.

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Compensation and Benefits Committee

The members of the Compensation and Benefits Committee (Compensation Committee) are Samuel Levy, John Delaney, Michael Donnelly, Joseph Kirk, Alan Papernick, and Charles Spadafora. The committee s function is to recommend to the S&T Board action on executive compensation and compensation and benefit changes brought to it by management. A written charter approved by the S&T Board governs the committee. A copy of the charter is included on S&T s website www.stbancorp.com, under Corporate Governance. The committee is comprised entirely of independent board members, as defined by Nasdaq listing standards. The report of the Compensation Committee is on page 19.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee (the Nominating Committee) are Samuel Levy, James Milano, John J. Delaney, Michael Donnelly, Frank Jones, and Jeffrey Grube. The Nominating Committee was formed in 2003, and the functions of this committee are to assist the S&T Board in reviewing the qualifications and independence of the members of the S&T Board and its various committees on a periodic basis as well as the composition of the S&T Board as a whole; to oversee the evaluation of the performance of the S&T Board and its committees as a whole; to select director nominees for election by shareholders and to provide guidance to the S&T Board on corporate governance issues. In addition, the Nominating Committee reviews all transaction with related parties, see page 30. A written charter approved by the S&T Board governs the committee. A copy of the charter is included on S&T s website www.stbancorp.com, under Corporate Governance. The committee is comprised entirely of independent board members, as defined by Nasdaq listing standards.

The Nominating Committee has adopted, and the S&T Board has ratified, a corporate policy for identifying and evaluating candidates for membership on the S&T Board. The Nominating Committee identifies potential candidates based on suggestions from directors, officers of S&T and S&T shareholders. The Nominating Committee will consider shareholder nominations for directors in accordance with the procedure set forth in Section 202 of S&T s Bylaws and applicable law. The procedure provides that a notice relating to the nomination must be timely given in writing to the Secretary of S&T prior to the meeting. To be timely, the notice must be delivered not earlier than the close of business on the 120th day, nor later than the close of business on the 60th day, immediately preceding the meeting. Such notice must be accompanied by the nominee s written consent to be named in the applicable proxy statement and contain information relating to the business experience and background and holdings of Common Stock of the nominee and information with respect to the nominating shareholder. There are no differences in the manner in which the Committee evaluates candidates for membership on the S&T Board based on whether such candidate is recommended by a shareholder, the Nominating Committee, or by any other source.

The Nominating Committee shall take into account all factors and criteria it considers appropriate, which will include but not be limited to: high personal and professional integrity, sound judgment and exceptional ability; business experience; area of residence in relationship to S&T s geographic market, other directorship experience that would be beneficial to the S&T Board and management of S&T, diversity of experience relative to that of other S&T directors, age, level and type of education, whether the candidate will be effective in serving the long-term interests of S&T s shareholders, whether the candidate has sufficient time and energy to devote to the affairs of S&T, whether the candidate possesses a willingness to challenge and stimulate management and the ability to work as part of a team, whether the candidate meets the independence requirements of the Nasdaq listing standards, whether the candidate is free from conflicts of interest with S&T, and any factors related to the ability and willingness of a new director to serve, or an existing director to continue his or her service.

The Nominating Committee is empowered to engage a third party search firm to assist it in identifying director candidates, but the Nominating Committee did not do so in 2007. S&T has not receive any shareholder nominations for consideration for this Annual Meeting. Accordingly, S&T has not rejected or refused such candidates.

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Shareholder Communications with Directors

Shareholders who desire to communicate with the S&T Board or a specific director should send any communication, in writing, to S&T Bancorp, Inc., 800 Philadelphia Street, Indiana, Pennsylvania 15701, ATTN: Corporate Secretary. Any such communication should state the number of shares beneficially owned by the shareholder. S&T s Corporate Secretary shall initially review all communications received in accordance with the Shareholders Communication Policy adopted by the S&T Board. The Corporate Secretary will relay all such communications to the appropriate director or directors on a periodic basis unless the Corporate Secretary determines that the communication does not relate to the business or affairs of S&T or the functioning or constitution of the S&T Board or any of its committees; relates to routine or insignificant matters that do not warrant the attention of the S&T Board; is an advertisement or other commercial solicitation or communication; is frivolous or offensive; or is otherwise not appropriate for delivery to directors. The director or directors who receive any such communication will have discretion to determine whether the subject matter of the communication should be brought to the attention of the full S&T Board or one or more of its committees and whether any response to the person sending the communication is appropriate. Any such response will be made through S&T s management and only in accordance with S&T s policies and procedures, applicable laws and regulations relating to the disclosure of information.

Code of Conduct and Ethics

S&T has earned its reputation as a respected leader in the communities it serves and in the financial services industry by conducting business in an ethical, responsible and professional manner. S&T is proud of the high standards of quality and service that have been its hallmark through the years. These qualities represent fundamental business practices and apply to all directors, officers and employees.

The S&T Board has adopted a Code of Conduct for directors, officers and employees, which is posted on S&T s website www.stbancorp.com, under Corporate Governance. The Code of Conduct addresses the professional, honest and candid conduct of each director, officer and employee; conflicts of interest, disclosure process, compliance with laws, rules and regulations (including insider trading laws); corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets, and encourages the reporting of any illegal or unethical behavior. A waiver for an executive officer or director of S&T may be made only by the Audit Committee and must be promptly disclosed as required by SEC or Nasdaq rules. S&T will disclose any such waivers, as well as any amendments to the Code of Conduct, on S&T s website. Shareholders may obtain a printed copy of the Code of Conduct by contacting the Secretary at the address previously provided.

Director Independence

The S&T Board determines annually that a majority of directors serving on the S&T Board are independent as defined in Rule 4200(a)(15) of listing standards of Nasdaq. In 2007, the S&T Board also considered all direct and indirect transactions described in Transactions with Related Parties and Compensation Committee Interlocks and Insider Participation in determining whether the director is independent. There were no other related party transactions other than those described in the aforementioned sections of this Proxy Statement. The Nominating Governance Committee has the delegated responsibility to evaluate each director s qualifications for independence for the S&T Board and for the committees of the S&T Board. Following review of the objective measures, the Nominating Committee and S&T Board also consider on a subjective basis each director s personal and/or business relationships, regardless of dollar amount.

On February 18, 2008, the S&T Board determined the following directors are independent under Nasdaq Rule 4200(a)(15): Mr. Carino, Mr. Delaney, Mr. Donnelly, Mr. Grube, Mr. Jones, Mr. Kirk, Mr. Levy, Mr. Milano, Mr. Papernick, Mr. Sampson and Mr. Spadafora. As discussed above, all members on the Compensation Committee, and the Nominating Committee are independent under this Nasdaq rule. In addition, the S&T Board determined the independence of directors for service on the Audit Committee under Exchange Act Rule 10A-3 and Nasdaq Rule 4350. As discussed above, all members on the Audit Committee are independent under Exchange Act Rule 10A-3 and Nasdaq Rule 4350.

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Compensation Committee Interlocks and Insider Participation

On December 1, 1997, S&T Bank entered into an agreement to lease from Director Sampson branch space and a freestanding drive-up teller and ATM facility located in a shopping plaza. On October 20, 2006, S&T Bank exercised an option beginning on December 1, 2007 that provides for a ten-year term, annual consumer price index adjustment, real estate taxes, maintenance and a ten-year renewal option. The current monthly rent is $10,801. During 2007, S&T made payments of $104,012 under this lease.

During 2007, S&T Bank made payments of $13,811 and $16,246 for the purchase and maintenance, respectively, of vehicles from a company owned by Director Spadafora. In addition, S&T Bank made payments of $111,551 and $239 for the purchase of goods and services from companies owned or controlled by Directors Donnelly and Levy, respectively.

During 2007, S&T Bank made payments for the purchase and maintenance of vehicles and the lease of a parking lot from companies owned or controlled by Director Delaney for $5,550 and $48,000, respectively. The terms of the parking lot lease agreement provide for monthly payments of $4,000 until April 30, 2010 with additional four successive renewal options of five years each and one successive renewal option of four years. The monthly rental shall be increased for each renewal term based on the Consumer Price Index.

In addition, S&T Bank may make extensions of credit to members of the Compensation Committee in the ordinary course of business and on the same terms as available to others. See Transactions with Related Parties.

PROPOSAL 2 APPROVAL OF THE AMENDMENTS TO S&T S ARTICLES OF INCORPORATION

AND BY-LAWS FOR THE ANNUAL ELECTION OF DIRECTORS

General

Article Nine of S&T s Articles of Incorporation and Sections 206 and 207 of the By-laws establishes three classes of directors, Class 1, 2 and 3, having three-year terms. Generally, absent the earlier resignation or removal of a Class member, the terms of the classes are staggered and one Class stands for reelection at each annual meeting of shareholders. On November 19, 2007, upon the recommendation of the Nominating Committee, the S&T Board unanimously approved an amendment of Article Nine of S&T s Articles of Incorporation and Section 206 of the By-laws to declassify the board of directors, remove the class designations for each of the director s terms and institute annual voting for each director to serve a one-year term, subject to shareholder approval at the Annual Meeting. If approved and adopted by S&T s shareholders, the amendment to the Articles of Incorporation will be filed with the Department of State of the Commonwealth of Pennsylvania promptly following the vote at the Annual Meeting and will be in effect immediately upon acceptance of the filing by the Department of State of the Commonwealth of Pennsylvania.

In making its determination to recommend declassification, the S&T Board considered arguments both for and against the classified board structure. Weighing in favor of the classified board structure is the S&T Board s belief that historically a classified board structure with staggered three-year terms has helped ensure that at any given point at least two-thirds of the S&T Board has prior experience and familiarity with our business and the complex marketplace in which we operate. The S&T Board believes that such long-term institutional knowledge benefits S&T and enables the S&T Board to provide long-term strategic planning. The S&T Board also considered the fact that a classified board structure may help safeguard S&T against unsolicited third-party efforts to take control of S&T without paying fair value for S&T s business and assets, by preventing the unilateral removal of directors by a potential acquirer at a single annual meeting. The S&T Board also considered the possibility that the classified board structure enhances the independence of the non-employee directors who sit on the S&T Board.

On the other hand, the S&T Board recognizes an emerging consensus among investors that the classified board structure may reduce the accountability of directors to shareholders by decreasing the frequency with which such directors stand for re-election. The S&T Board also recognizes that director elections are the primary means by which S&T shareholders affect corporate management and thus that the classified board structure may have an adverse impact on shareholder influence over company policy. After weighing these factors, the S&T Board has determined that it is an appropriate time to propose declassifying the S&T Board to the shareholders and believes these amendments are advisable and in the best interests of S&T and its shareholders.

To ensure a smooth transition to the system of annual election of the entire board, annual elections would be phased in as current terms of directors expire. Current directors would serve the remainder of their three-year terms until 2009, 2010 and 2011, respectively, and annual elections would begin for those directors upon expiration of their terms. All directors would be elected annually beginning in 2011. Directors elected by the S&T Board to fill vacancies would serve only until the next election of directors by the shareholders.

Amendment to the Articles of Incorporation

If approved by the shareholders, Article Nine of S&T s Articles of Incorporation will be deleted in it entirety and replaced with the following new Article Nine:

Classification of Directors. All directors elected prior to or at the S&T s 2008 Annual Meeting were elected for three year terms, expiring at the third annual meeting following their election. All directors elected at or after the Corporation s 2009 Annual Meeting shall be elected at each annual meeting of shareholders for a term expiring at the next annual meeting of shareholders following their election. Unless they are elected to fill vacancies, the directors shall be elected to hold office until the next annual meeting of shareholders after their election and until their successors shall have been elected and qualified.

Amendment to the By-laws

If approved by the shareholders, Sections 206 and 207 of S&T s By-laws will be deleted in its entirety and replaced with the following new Sections 206 and 207:

Section 206. *Classification of Directors.* All directors elected prior to or at S&T s 2008 Annual Meeting were elected for three-year terms, expiring at the third annual meeting following their election. All directors elected at or after the Corporation s 2009 Annual Meeting shall be elected at each annual meeting of shareholders for a term expiring at the next annual meeting of shareholders following their election. Each Director shall serve until his or her successor shall have been elected and shall qualify, even though his or her term of office as herein provided has otherwise expired, except in the event of his or her earlier death, resignation, removal or disqualification from office. The affirmative vote of at least sixty-six and two-thirds (66 2/3) percent of the outstanding shares of Common Stock entitled to vote generally in the election of directors, voting together as a single class shall be required to alter, amend, adopt any provision inconsistent with or repeal this Section.

Section 207. *Vacancies.* If a vacancy occurs on the Board, including a vacancy resulting from an increase in the number of Directors, the Board may fill the vacancy, or, if the Directors in office constitute fewer than a quorum of the Board, they may fill the vacancy by the affirmative vote of a majority of all the Directors in office. The shareholders may fill a vacancy only if there are no Directors in office. A Director elected to fill a vacancy shall serve only until the election of Directors by the shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSED AMENDMENT TO S&T S ARTICLES OF INCORPORATION AND BY-LAWS FOR THE ANNUAL ELECTION OF DIRECTORS.

PROPOSAL 3 RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2008

The Audit Committee of the S&T Board appointed the firm of KPMG LLP, independent registered public accounting firm to audit and report on S&T s financial statements for the fiscal year ending December 31, 2008.

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Action by shareholders is not required by law in the appointment of independent accountants. However, the S&T Board considers this selection to be an important issue and therefore is submitting the selection of KPMG LLP for ratification by the shareholders. If the shareholders do not ratify this selection, the selection will be reconsidered by the Audit Committee.

KPMG LLP has no direct or indirect financial interest in S&T or in any of its subsidiaries, nor has it had any connection with S&T or any of its subsidiaries in the capacity of promoter, underwriter, voting trustee, director, officer or employee. Representatives of KPMG LLP will be present at the Annual Meeting and will be afforded an opportunity to make a statement if they desire to do so. It also is expected they will be available to respond to appropriate questions.

Fees Paid to Independent Registered Public Accounting Firm

During our fiscal year ended December 31, 2006, Ernst & Young LLP served as S&T s independent registered public accounting firm and during our fiscal year ended December 31, 2007, KPMG LLP served as S&T s independent registered public accounting firm.

Fees for professional services provided by our accountants in each of the last two fiscal years, in each of the following categories are:

	2007	2006
Audit Fees	439,327	562,900
Audit-Related Fees	78,736	0
Tax Fees	132,000	4,750
All Other Fees	0	0
	$ 650,090	$ 567,650

Audit Fees includes fees for audit services associated with the annual audit, the reviews of S&T s quarterly reports on Form 10-Q, accounting consultations and SEC registration statements.

Audit-Related Fees includes fees related to the possible merger of IBT Bancorp, Inc. into S&T in 2008.

Tax Fees includes tax compliance and tax advice.

All 2006 fees were paid to Ernst & Young LLP and all 2007 fees were paid to KPMG LLP except for Audit Related Fees of $39,350 paid to Ernst & Young.

Pre-Approval Policies and Procedures

The Audit Committee is responsible for the approval of all services performed the independent registered accounting firm (Independent Accountants). All services provided by the Independent Accountants in 2007 were pre-approved by the Audit Committee. The Audit Committee is required to pre-approve all audit and non-audit services performed by the Independent Accountants to assure that the provision of such services does not impair the Independent Accountant s independence. In addition, any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee. The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the Independent Accountants to management.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2008

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EXECUTIVE OFFICERS OF THE REGISTRANT

As of March 12, 2008, the executive officers of S&T are:

Name	Age	Principal Occupation During Past 5 Years	Officer of Corporation Since
James C. Miller	62	Chairman and Chief Executive Officer of S&T and S&T Bank, since August 2004; President and Chief Executive Officer of S&T and S&T Bank, January 1998 to August 2004	1983
Robert E. Rout	56	Senior Executive Vice President, Chief Financial Officer and Secretary of S&T and S&T Bank, since January 2005; Executive Vice President, Chief Financial Officer and Secretary of S&T and S&T Bank, August 1999 to December 2004	1993
David G. Antolik	41	Senior Executive Vice President, Chief Lending Officer, since January 2008, Executive Vice President, Commercial Lending, since August 2004; Senior Vice President, Commercial Lending, January 2002 to August 2004; Vice President, Commercial Lending, Septem	2004
Todd D. Brice	45	President and Chief Operating Officer of S&T and S&T Bank, since April 2005; President of S&T and S&T Bank, August 2004 to April 2005; Executive Vice President, Commercial Lending, January 2003 to August 2004; Senior Vice President, Commercial Lending, Ja	2003
Edward C. Hauck	55	Senior Executive Vice President and Retail Banking and Support Services Group Manager, since August 2004; Executive Vice President and Retail Banking and Support Services Group Manager, January 1997 to August 2004	1991
Tony E. Kallsen	40	Executive Vice President and Chief Credit Officer, since May 2006; Senior Vice President, National City Bank of Pennsylvania, March 2004 to May 2006; Senior Vice President, National City Bank of Michigan/Illinois, February 2002 to March 2004	2006
Thomas E. Kiral	47	President, S&T Insurance Group, since June 2001	2001
Mark Kochvar	47	Executive Vice President & Treasurer since January 2008; Senior Vice President and Treasurer since January 2001	2001
Michelle Petrovsky	41	Executive Vice President, Commercial Lending, since January 2008; Senior Vice President, Commercial Lending, January 2004 to December 2007; Vice President, Commercial Loan Officer, January 1998 to December 2003	2008
Malcolm E. Polley	45	President and Chief Investment Officer, Stewart Capital Advisors, LLC, since August 2005, Chairman & President, Stewart Capital Mutual Funds, since November 2006; Executive Vice President and Chief Investment Officer of S&T and S&T Bank, since January 2006; Senior Vice President, Chief Investment Officer, January 2003 to December 2005; Vice President, Chief Investment Officer, May 2001 to December 2002; Vice President, Trust Investments, West Des Moines State Bank, October 1999 to April 2001	2006
David P. Ruddock	46	Executive Vice President, Information Technology and Operations, since January 2004; Senior Vice President, Information Technology and Operations, February 1999 to December 2003	2004
Gregor T. Young IV	52	Executive Vice President and Managing Director, Wealth Management Group, since May 2000	2000

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COMPENSATION DISCUSSION AND ANALYSIS

Compensation Approval Process

Executive compensation decisions are made by the six-member Compensation and Benefits Committee (the Compensation Committee) of the S&T Board. Each member of the Compensation Committee is a non-employee director and qualifies as an independent director under the Nasdaq listing standards. The Compensation Committee independently decides the compensation that S&T will pay the chief executive officer. For the remaining executive officers, the chief executive officer makes recommendations to the Compensation Committee, which reviews and approves the recommendations. The Compensation Committee meets in an executive session to discuss and finalize its decisions regarding the chief executive officer s compensation. The S&T Board reviews all decisions relating to the compensation of executive officers, except for decisions about awards under the S&T Bancorp, Inc. 2003 Incentive Stock Plan (the 2003 Plan), which are made solely by the Compensation Committee. The Compensation Committee may delegate to its chairperson such power and authority as the Compensation Committee deems to be appropriate, except such powers and authorities required by law or regulation to be exercised by the whole Compensation Committee or a subcommittee of at least two members.

The Compensation Committee operates under a written charter, which it reviews and reaffirms on an annual basis.

Compensation Philosophy

The Compensation Committee considers overall corporate performance as well as individual initiative and achievements when reviewing and approving all compensation decisions relating to the chief executive officer and the other executive officers named in the Summary Compensation Table (the Named Executive Officers). The policy of the Compensation Committee is to provide compensation that is competitive within the banking industry to attract and retain qualified executives; is integrated with S&T s corporate performance goals, the primary goal being earnings growth; rewards exceptional individual performance within the assigned area of operational responsibility; and, importantly, aligns the interests of senior management with the interests of S&T s shareholders. The Compensation Committee also believes that compensation should recognize short- and long-term performance and include both cash and equity components. To meet the objectives of its policy, the Compensation Committee has established a compensation program for senior management, including the Named Executive Officers, which includes the following elements:

- Salaries;
- Short-term incentive awards;
- Long-term incentive awards; and
- Certain other benefits.

Compensation Program

The Compensation Committee reviews the compensation programs established by peer banks for executives having similar responsibilities to S&T s executives to establish competitive benchmarks for S&T s compensation program. The peer banks are similar in size to S&T and operate in S&T s geographic market. While subject to change based on market and other relevant qualitative factors, the Compensation Committee includes the following peer banks in its comparison: United Bankshares, Inc.; First Commonwealth Financial Corporation; Chittenden Corporation; Park National Corporation; National Penn Bancshares, Inc.; First Financial Bancorp; Chemical Financial Corporation; Independent Bank Corporation; Harleysville National Corporation; City Holding Company; and Omega Financial Corporation (collectively, the Peer Banks). In addition, the Compensation Committee considers general industry peer group information contained in the SNL Financial Comparison Report.

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S&T had engaged Towers Perrin to provide consultative services with regard to S&T s compensation program for consideration of the 2006 compensation program for senior management, defined as senior vice president level and higher. The consultative services assisted the Compensation Committee in establishing salaries and short- and long-term incentive awards with performance guidelines that are consistent and competitive with the Peer Banks. The Compensation Committee will periodically update the information from these consultative services and adjust the executive compensation program, as warranted. S&T did not obtain consultative services from a third party to determine the compensation program for 2007, but relied on the 2006 peer information and other generally available compensation information of the Peer Banks. The Compensation Committee considers the compensation program for senior management to be in line with the Peer Banks compensation programs for similar levels of management.

Salaries

The purpose of base salary is to provide competitive and fair base compensation that recognizes the executives roles, responsibilities, contributions, experiences and performance. Base salary represents a fixed and guaranteed element of compensation that reflects executives long-term performance and market pay level for the role. Base salaries are targeted to be competitive with the practices of the Peer Banks. The Compensation Committee sets each executive s individual pay annually to reflect individual experiences, expertise, performance and contributions in the role.

The Compensation Committee reviews the salary of the chief executive officer annually in December. The Compensation Committee compared the chief executive officer salary and performance against the Peer Banks. Particular emphasis for his 2007 salary was placed upon S&T s performance, based on earnings per share goals in 2007, as well as the subjective assessment of Mr. Miller s individual performance. Mr. Miller s salary for 2007 was $490,000, which was a 4.26% increase from his 2006 salary. The Compensation Committee decided this increase was warranted because of the effects of inflation and also to recognize his leadership during a more challenging earnings environment presented by an unusual interest rate environment and the activity on four larger troubled commercial loans. This 2007 increase positioned his salary at approximately the 75th percentile of the Peer Banks. In December 2007, the Compensation Committee approved Mr. Miller s 2008 salary increase of 7.14% to $525,000. The Compensation Committee decided on this increase due to the effects of inflation but also to recognize Mr. Miller s leadership in achieving earnings per share goals for 2007 and for successfully negotiating and signing a definitive agreement with a targeted acquisition candidate.

The chief executive officer reviews the salary for the president and chief operating officer. The chief executive officer compared the president and chief operating officer salary and performance against the Peer Banks. Mr. Brice s salary in 2007 was $300,000, which was a 5.26% increase from his 2006 salary. The chief executive officer recommended to the Compensation Committee that this increase was warranted due to the effects of inflation and to recognize his leadership over service-related lines of business, including insurance and wealth management services. This 2007 increase positioned his salary at approximately the 60th percentile of the Peer Banks. In December 2007, Mr. Brice s 2008 salary was increased by 25% to $375,000. The chief executive officer recommended to the Compensation Committee that this increase was warranted due to the effects of inflation, his leadership over service-related lines of business during a successful year and his expanded responsibilities in anticipation of Mr. Miller s announced retirement in April 2008. The Compensation Committee reviewed with the chief executive officer and approved the recommended increases to Mr. Brice s salary for 2007 and 2008.

The chief executive officer and the president and chief operating officer review the salaries for the other Named Executive Officers on an annual basis in December. The salaries are compared to the salaries of executives with similar responsibilities at the Peer Banks, were set at approximately the 60th percentile of the Peer Banks, and then adjusted as appropriate. The Compensation Committee reviewed and approved with the chief executive officer and the president and chief operating the recommended salary increases for the other Named Executive Officers for 2007 and 2008.

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In 2007, the salary for Mr. Rout, the chief financial officer and secretary, was $250,000, which was a 6.38% increase from his 2006 salary due to the effects of inflation and to his leadership over his area of responsibility. In December 2007, Mr. Rout s 2008 salary was increased by 20% to $300,000. The increase for Mr. Rout was due to the effects of inflation, to his leadership over his respective area of responsibility during a successful year, including his role in the acquisition of the targeted merger candidate, and to his expanded responsibilities in anticipation of Mr. Miller s retirement.

In 2007, the salary for Mr. Hauck, the retail banking support services group manager, was $232,000, which was a 4.04% increase from his 2006 salary due to the effects of inflation and to his leadership over his area of responsibility. In December 2007, Mr. Hauck s 2008 salary was increased 18.53% to $275,000. The increase for Mr. Hauck was due to the effects of inflation, to his leadership over his respective areas of responsibility during a successful year, including his role in the acquisition of the targeted merger candidate, and to his expanded responsibilities in anticipation of Mr. Miller s retirement.

The salary for Mr. Krieger, the commercial lending group manager, was $275,000 for 2006 and 2007; however, he was entitled to 12 weeks of vacation in 2007, rather than the four weeks of vacation available to S&T s officers. Mr. Krieger retired from employment from S&T, effective December 31, 2007. Mr. Krieger will not receive a salary as an executive officer in 2008; however, he became a director on the S&T Board in October 2007 and will continue in that capacity with the usual compensation package for a non-employee director commencing on January 1, 2008.

Short-Term Incentive Award

Effective January 1, 1999, the Compensation Committee commenced the administration of a Management Incentive Plan as a short-term cash incentive award to more closely align the interests of shareholders and senior management by making a greater percentage of senior management s total compensation dependent on the annual performance of S&T and the achievement of individual departmental goals.

Annually, the Compensation Committee establishes specific incentive opportunities, with primary emphasis on earnings per share goals, which are expressed as a percentage of each participant s base salary rate for the given year. Depending upon the level of success in meeting the established goals, the Named Executive Officers can earn up to 35% of their respective annual salaries. The Compensation Committee reviews and approves the awards in December, contingent upon the final full year earnings per share for S&T. In 2007, the earnings per share target was $2.26, which S&T achieved; therefore, senior management, including the Named Executive Officers, earned a Management Incentive Plan award in 2007, which was received in January 2008. In 2007, the chief executive officer and the president were eligible to earn 100% of their short-term incentive awards based upon achieving the earnings per share target. Messrs. Miller and Brice earned awards of $171,500 and $105,000, respectively, due to achieving the earnings per share target. The other Named Executive Officers were eligible to earn 50% of their award based upon achieving the earnings per share target and 50% of their award based on individual department goals. The specific department goals for each Named Executive Officer are reviewed and approved prior to the beginning of the award year by the Compensation Committee. Mr. Rout earned an award of $87,500, which was 100% of his potential award. Mr. Hauck earned an award of $79,250, and his potential award was $81,200. Mr. Krieger s incentive award was $75,000, which was 100% of his potential award. Mr. Krieger s potential award was less than 35% of his salary due to his transitioning to retirement on December 31, 2007. The Named Executive Officers did not earn an award in 2006, as the earnings per share target was not met that year.

In 2008, the Named Executive Officers can earn up to 35% of their respective salaries by achieving an eight percent increase in earnings per share. The chief executive officer and the president are eligible to earn 100% of their short-term incentive award based upon achieving the earnings per share target. The other Named Executive Officers have the opportunity to earn 50% of their award based upon achieving the earnings per share target and 50% on individual department goals.

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Long-Term Incentive Award

The Compensation Committee has increasingly weighted the Named Executive Officers actual compensation packages toward programs contingent upon S&T s level of long-term (three years or greater) performance. This compensation element is intended to reward the executive for contributing to increasing shareholder value with sustained earnings growth into the future. The Compensation Committee endorses the position that stock ownership by management and stock-based performance compensation arrangements are beneficial in aligning management and shareholders interests and serves as an executive retention tool through vesting requirements. The S&T Bank Incentive Program for Senior Management (the Incentive Program), as a mechanism for determining awards pursuant to the 2003 Plan, is considered an important long-term element in S&T s compensation program.

In 2006, in response to the anticipated costs of expensing stock options under Financial Accounting Standard No. 123(R) (FAS 123R), the Compensation Committee discontinued its practice of granting nonstatutory stock options annually.

In lieu of an annual stock option grant, the Compensation Committee, pursuant to its authority under the 2003 Plan, adopted the Incentive Program, a performance-based incentive plan whereby senior management will earn an incentive award based upon the achievement of predetermined incremental earnings per share goals for the following year. Depending upon the level of earnings per share goal achieved, the award, at the discretion of the Compensation Committee, will equal a percentage of the executive s salary and be delivered in the form of restricted shares of common stock.

In 2007, the Named Executive Officers earned an award of 25% of their respective salaries by achieving a ten percent increase in earnings per share. The restricted shares of common stock were granted by the Compensation Committee on December 17, 2007 and will vest equally over a period of four years commencing on January 1, 2009. The number of shares awarded to the Named Executive Officers were: Mr. Miller, 4,007; Mr. Brice, 2,453; Mr. Rout, 2,044; Mr. Krieger, 2,249; and Mr. Hauck, 1,897. In addition, the Compensation Committee has established additional guidelines that limit senior management to selling only 25% of the vested restricted shares of common stock for current tax liabilities, until the officer achieves the stock ownership guidelines, as described below.

In 2008, the Named Executive Officers have the opportunity to earn an award of 25% of their respective salaries by achieving an eight percent increase in earnings per share. Any restricted shares of common stock will be granted by the Compensation Committee in January 2009 and are also expected to vest equally over a period of four years.

Certain Other Benefits

S&T provides other benefits, or perquisites, to the Named Executive Officers that are comparable to the other benefits provided at the Peer Banks viewed as a whole. The Compensation Committee believes that perquisites should be limited in scope and value. The primary perquisites for an executive are the payment of the initiation fees and dues for golf or social memberships at a private club, company contributions to a qualified defined benefit plan and a nonqualified deferred compensation plan, a company car or car allowance and company paid life insurance premiums.

S&T considers a social or country club to be an appropriate venue to entertain customers and to participate in various community functions. S&T pays for senior management to belong to one or more private clubs, since this level of management has significant customer contact and involvement in the community. Expenses of a personal nature or related to a spouse are not paid by S&T.

S&T Bank maintains the Thrift Plan for Employees of S&T Bank (the Thrift Plan), which is a qualified defined contribution plan. All employees may participate in the Thrift Plan with elective salary deferrals, or

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401(k) contributions. During 2007, S&T Bank made matching contributions equal to 50% of the employees 401(k) contributions, up to a maximum of 3% of the participants eligible compensation. Beginning in 2008, the matching contributions equal 100% of the first 1% of the employees eligible compensation and 50% of the next 5% of the employees eligible compensation, up to a maximum of 3.5% of the employees eligible compensation. S&T considers the matching contributions to the Thrift Plan as an important incentive for employees to contribute toward their own retirement savings. In 2007, S&T contributed to the Thrift Plan in the amount of $6,750 for each Named Executive Officer.

In 2007, S&T Bank also made a year-end profit sharing contribution to the Thrift Plan equal to 5% of the employees eligible compensation for a total contribution of $1,590,466. Year-end profit sharing contributions are based on the performance of S&T, compared to earnings per share goals. The earnings per share goals in 2007 ranged from 2% to 8% for targets from $2.09 to $2.43, respectively. In 2008, the earnings per share goals range from 2% to 8% for targets from $2.26 to $2.62, respectively. The compensation taken into account for determining the amount of contributions made on behalf of a participant is subject to qualified plan limits ($225,000 in 2007; $230,000 in 2008). S&T believes that the year-end profit sharing contribution provides an incentive to employees, including executives, with respect to the achievement of corporate earnings goals. In 2007, S&T made a year end profit sharing contribution to the Thrift Plan of $11,250 for each Named Executive Officer.

The Compensation Committee also administers a cash incentive plan for all employees under the level of senior vice president, whereby these employees earn a cash award consistent with the ranges set for the year-end profit sharing contribution. For 2007, this award was 5% of employees salaries and is payable after a one year vesting period. S&T expects to pay approximately $1,244,000 to its employees for this award on January 8, 2009.

S&T Bank established the S&T Bancorp, Inc. Supplemental Savings, Make-Up and Deferred Management Incentive Plan (the Nonqualified Plan) in 1995 in order to provide certain management employees, including executives, the ability to make up for certain benefits that would normally be provided under S&T Bank s qualified plans except for federal tax laws setting annual compensation limits for qualified plans and additional limitations related to highly compensated employees. S&T Bank makes employer contributions to this plan that cannot be made to the qualified plans due to the aforementioned limits. During 2007, S&T contributed to the Nonqualified Plan for James C. Miller $23,600; for Todd D. Brice $8,000; for Robert E. Rout $3,760; for Edward C. Hauck $1,927; and for David L. Krieger $5,929.

S&T s executives frequently drive vehicles on company business. Therefore, S&T provides either a company car or a car allowance to executives. Executives are responsible for reporting the amount of personal use of company cars to S&T, so that the taxable income from such use can be reported in the executives compensation. Executives who do not have a company car receive an annual car allowance of $6,000 that is fully taxable compensation.

Other benefits generally provided to all officers and full-time employees include a qualified defined benefit plan and the S&T Bank Welfare Benefit Plan. The latter has provisions for medical reimbursement, dental coverage, vision care coverage, long-term disability income, a health reimbursement account and life insurance. Relocation benefits also are reimbursed but are individually negotiated when they occur. If S&T hires or initiates a transfer of an employee with special skills and requires a relocation of more than 35 miles, the employee is eligible for reimbursement of the costs of house hunting trips, closing on the sale of the old home and the purchase of the new home, temporary living quarters and moving household goods and furniture. In these circumstances, S&T will also gross up taxable relocation reimbursements for federal taxes.

Stock Ownership Guidelines

The Compensation Committee continues to believe that stock ownership in S&T is important to align shareholder and management interests. On December 17, 2007, the Compensation Committee adopted stock

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ownership guidelines for certain executives beginning on January 1, 2008. Under the guidelines, the Named Executive Officers should own Common Stock having a market value equal to at least three times base salary; executive vice presidents should own at least two times base salary; and senior vice presidents at least one times base salary. The guidelines do not establish a deadline for compliance with the stock ownership requirements; however, as noted earlier, the executives are limited to selling 25% of vested shares of restricted stock until meeting the guidelines.

In addition to stock options and unvested restricted shares, Messrs. Miller and Brice directly or indirectly own 56,957 and 54,530 shares of Common Stock, respectively. This significant interest in S&T s Common Stock is considered to be beneficial to the common interests of shareholders and management.

Employment Agreements

The Company does not provide employment agreements for any of the Named Executive Officers. S&T believes in a policy of at will employment arrangements.

Change in Control

In designing compensation arrangements for senior management, the Compensation Committee understands that the hiring and retention of quality senior management talent could be hindered if S&T offers no protection against the possible loss of compensation or position through a change in control. Further, S&T believes that it is important to reduce the conflict of interest that senior management could experience in a change of control situation.

In accordance with its general philosophy that senior management s interest be aligned with shareholders interests, effective January 1, 2007, S&T entered into change in control agreements with selected officers in senior management, including all the Named Executive Officers. The agreements provide that if the employment of the chief executive officer or the president is terminated, without cause, or the chief executive officer or president voluntarily terminates employment following a constructive termination (as defined below) within three years of a change in control (as defined below), he will receive a lump sum payment in cash that equals 300 percent of his base salary.

The agreements define constructive termination as any of the following:

- Following a change in control, the assignment to the executive of any duties inconsistent with the executive s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or the relocation of the location of the executive s place of employment to a location more than 40 miles from its location prior to the change in control;

- Following a change in control, S&T s failure to continue to provide the executive with benefits substantially similar to those enjoyed by the executive under any of S&T s pension, life insurance, medical, health and accident, disability or other welfare plans in which the executive was participating at the time of the change in control, unless the nature of the change in benefit levels is consistent with changes to benefits levels provided to employees at the same or equivalent level or title as the executive; or the failure by S&T to provide the executive with the number of paid vacation days to which the executive is entitled to on the basis of years of service with S&T in accordance with S&T s normal vacation policy in effect at the time of a change in control;

- Any failure by any successor of S&T to adhere to the terms of the agreement;

- Following a change in control, a reduction of more than ten percent in the executive s annual base salary by S&T;

- Following a change in control, any other action which in the executive s good faith judgment results in a diminution in the executive s position, authority, duties or responsibilities, unless, in the case of the first such action, such action is remedied promptly after receipt of notice of objection to S&T by the executive; or

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Involuntary termination of the executive by S&T, other than termination for cause, within six months prior to a change in control will be treated for the purpose of this Agreement as a constructive termination.

A change in control is defined in the agreements as the occurrence of any of the following:

Any person, other than a pension, profit-sharing or other employee benefit plan established by S&T or S&T Bank, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of S&T representing 25% or more of the combined voting power of S&T s then outstanding securities;

During any period of two consecutive years, individuals who at the beginning of such period constitute the S&T Board of Directors of S&T cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least a majority of the directors then in office who were directors at the beginning of the period;

The shareholders of S&T approve a merger or consolidation of S&T with any other corporation, other than a merger or consolidation which would result in the voting securities of S&T outstanding immediately prior thereto continuing to represent at least 50% of the total voting power represented by the voting securities of S&T or the surviving entity outstanding immediately after such merger or consolidation;

The S&T shareholders or the S&T Board or S&T Bank approve a plan of complete liquidation or an agreement for the sale of or disposition of all or substantially all of the S&T s or S&T Bank s assets;

Any person shall have commenced a tender or exchange offer to purchase shares of Common Stock such that upon consummation of such offer such person would own or control 25% or more of the outstanding shares of Common Stock;

Any person shall have filed an application or notice with any federal or state regulatory agency for clearance or approval to (i) merge or consolidate, or enter into any similar transaction, with S&T or S&T Bank, (ii) purchase, lease or otherwise acquire all or substantially all of the assets of S&T or S&T Bank or (iii) purchase or otherwise acquire (including by way of merger, consolidation, share exchange or any similar transaction) securities representing 25% or more of the voting power of S&T or S&T Bank; or

Any other event that constitutes a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act or any successor provision.

The agreements specifically exclude public stock offerings by S&T and convertible debt offerings by S&T from the definition of change in control.

Each agreement provides that if any of the other Named Executive Officers employment is terminated, without cause, or the Named Executive Officer voluntarily terminates employment following a constructive termination (as defined in the agreement) within two years of a change of control, he will receive a lump sum payment in cash that equals 200 percent of his base salary. The payment will be made no later than ten business days after the date of termination, subject to a six-month delay for compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the Code), if necessary. (See Tax Considerations described herein). Each agreement provides that if the executive s employment is terminated, without cause, within the three or two years of a change in control, as applicable for that particular executive, he will receive life insurance, health, disability and other welfare benefits substantially similar in all respects to those which the executive was receiving immediately prior to the triggering event. These additional benefits will continue for three years for the chief executive officer and the president and for two years for the other Named Executive Officers. Each agreement provides that, in the event any benefit received by a Named Executive in connection with a change in

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control or in connection with the termination of the Named Executive s employment (whether pursuant to the agreement or any other plan, arrangement or agreement) (collectively, the Total Benefits) would be subject to the excise tax imposed under Section 4999 of the Code (the golden parachute excise tax), then the Total Benefits will be reduced to the extent necessary so that no portion of the Total Benefits is subject to such excise tax. The Compensation Committee believes that the agreement provides reasonable protection to the individual members on the senior management team and thereby aligns senior management s interest with S&T s shareholders.

Tax Considerations

The Compensation Committee believes that it has structured the compensation program to comply with Code Sections 162(m) and 409A. Section 162(m) of the Code generally denies a deduction to any publicly held corporation for compensation paid to its chief executive officer and its four other highest paid executive officers to the extent that any such individual s compensation exceeds $1 million. Qualified Performance-based compensation (as defined for purposes of Section 162(m)) is not taken into account for purposes of calculating the $1 million compensation limit, provided certain disclosure, shareholder approval and other requirements are met. The Compensation Committee is monitoring the effects of S&T s compensation programs with regard to Section 162(m). To date, S&T has not suffered a loss of compensation deduction as a result of the $1 million limitation, and the Compensation Committee intends to take actions to minimize S&T s exposure to nondeductible compensation expense under Section 162(m) of the Code. While keeping this goal in mind, however, the Compensation Committee reserves the right to maintain flexibility with respect to S&T s executive compensation programs, including the awarding of compensation that may not be deductible when it believes that such payments are appropriate and in the best interests of the shareholders.

Section 409A is a relatively recent provision of the Code. If an executive is entitled to nonqualified deferred compensation benefits that are subject to Section 409A of the Code, and such benefits do not comply with Section 409A of the Code, the executive would be subject to adverse tax treatment, including accelerated income recognition (in the first year that benefits are no longer subject to a substantial risk of forfeiture) and a 20% penalty tax pursuant to Section 409A of the Code. The Internal Revenue Service has extended the transition relief period for amending plans to comply with Section 409A of the Code through December 31, 2008. S&T is continuing to evaluate the impact of Section 409A of the Code on its compensation and benefits plans, programs and arrangements and may modify certain of them as a result of that evaluation.

COMPENSATION COMMITTEE REPORT

We, the Compensation Committee of the Board of Directors of S&T Bancorp, Inc. (S&T), have reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with S&T s management, and, based on such review and discussion, have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and S&T s Annual Report on Form 10-K for the year ended December 31, 2007.

Compensation Committee:

Samuel Levy (Chairman);

John Delaney,

Michael Donnelly;

Joseph Kirk;

Alan Papernick; and

Charles Spadafora

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REMUNERATION OF EXECUTIVE OFFICERS

The following table provides information concerning remuneration of the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated Executive Officers of S&T (collectively, the Named Executive Officers) during 2007. S&T has not entered into any employment agreements with any of the Named Executive Officers.

Summary Compensation Table for Fiscal Year 2007

Name and Principal Position	Year	Salary ($)	Bonus ($)[1]	Non-Equity Incentive Plan Compensation ($)[2]	Stock Awards ($)[3]	Option Awards ($)[4]	Change in Pension Value ($)[5]	All Other Compensation ($)[6]	Total ($)
J.C. Miller	2007	$ 490,000		$ 171,500	$ 114,620	$ 32,963	$ 224,500	$ 68,770	$ 877,853
Chairman and Chief Executive Officer	2006	$ 470,000	$ 30,000		$ 6,582	$ 32,963	$ 247,400	$ 47,606	$ 834,551
R.E. Rout	2007	$ 250,000		$ 87,500	$ 58,469	$ 24,173	$ 63,400	$ 38,994	$ 459,136
Senior Executive Vice President, Chief Financial Officer and Secretary	2006	$ 235,000	$ 22,010		$ 3,949	$ 24,173	$ 54,500	$ 31,593	$ 371,225
T.D. Brice	2007	$ 300,000		$ 105,000	$ 723	$ 27,469	$ 56,600	$ 49,181	$ 482,373
President, Chief Operating Officer and Director	2006	$ 285,000	$ 25,000		$ 3,949	$ 27,469	$ 58,500	$ 39,939	$ 439,857
D.L. Krieger	2007	$ 275,000		$ 75,000	$ 64,333	$ 24,173	$ 30,200	$ 59,623	$ 498,128
Senior Executive Vice President	2006	$ 275,000	$ 22,000		$ 3,949	$ 24,173	$ 76,100	$ 34,856	$ 436,078
E.C. Hauck	2007	$ 232,000		$ 79,250	$ 54,264	$ 24,173	$ 62,700	$ 26,442	$ 416,129
Senior Executive Vice President	2006	$ 223,000	$ 22,000		$ 3,949	$ 24,173	$ 69,200	$ 28,702	$ 371,024

(1) This column includes a discretionary bonus approved by the Compensation Committee on December 18, 2006, and paid on January 25, 2007. The bonus was paid in cash in lieu of a grant of nonstatutory stock options and was equal to $2 times the number of shares granted to the executive in 2005.

(2) This column includes the management incentive bonus for 2007 paid on January 10, 2008. See the Compensation Discussion and Analysis Short-Term Incentive Award on page 14.

(3) Amounts in this column represent the FAS 123R expense recognized in 2007 and 2006 for Common Stock granted on December 17, 2007 under the 2003 Plan and December 16, 2002, under the 1992 Plan respectively. The FAS 123R expense was based upon the fair market value of the stock on the date of the grant, and expensed over the requisite service period. The assumptions used in the valuation of stock awards are included in Notes A and O to S&T s audited financial statements for the fiscal year ended December 31, 2007 included in S&T s Annual Report on Form 10-K filed with the SEC on February 29, 2008.

(4) Amounts in this column represent the FAS 123R expense recognized in 2007 and 2006 for all option awards under the 2003 Plan. The FAS 123R expense was based upon the fair market value of the option on the date of the grant, and expensed over the requisite service period. The assumptions used in the valuation of option awards are included in Notes A and O to S&T s audited financial statements for the fiscal year ended December 31, 2007 included in S&T s Annual Report on Form 10-K filed with the SEC on February 29, 2008.

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(5) This column shows the aggregate year-to-year change in the actuarial present value of the Named Executive Officer s accrued pension benefit under all qualified and non-qualified defined benefit plans based on the assumptions used for FAS 87 Employers Accounting for Pensions accounting purposes at each measurement date. As such, the change reflects changes in value due to an increase or decrease in the FAS 87 discount rate as well as changes due to the accrual of plan benefits.

(6) The compensation represented in the All Other Compensation column for the Named Executive Officers is detailed in the following table.

Name	Year	Company Contributions to Qualified Defined Contribution Plan[a]	Company Contributions to Nonqualified Defined Contribution Plan[b]	Company Car[c]	Country Club Dues[d]	Company Paid Life Insurance Premiums[e]	Restricted Stock Dividends[f]	All Other Compensation
J.C. Miller	2007	$ 18,000	$ 23,600	$ 10,364	$ 9,773	$ 6,732	$ 300	$ 68,770
	2006	$ 11,000	$ 6,760	$ 12,425	$ 9,239	$ 6,732	$ 1,450	$ 47,606
R.E. Rout	2007	$ 18,000	$ 3,760	$ 9,066	$ 4,373	$ 3,615	$ 180	$ 38,994
	2006	$ 11,000	$ 2,925	$ 10,950	$ 4,039	$ 1,809	$ 870	$ 31,593
T.D. Brice	2007	$ 18,000	$ 8,000	$ 11,937	$ 9,533	$ 1,531	$ 180	$ 49,181
	2006	$ 11,000	$ 5,800	$ 12,267	$ 9,035	$ 967	$ 870	$ 39,939
D.L. Krieger	2007	$ 18,000	$ 5,929	$ 29,969	$ 0	$ 5,544	$ 180	$ 59,623
	2006	$ 11,000	$ 5,250	$ 11,052	$ 1,140	$ 5,544	$ 870	$ 34,856
E.C. Hauck	2007	$ 18,000	$ 1,927	$ 7,704	$ 1,248	$ 3,336	$ 180	$ 32,396
	2006	$ 11,000	$ 2,234	$ 11,748	$ 1,140	$ 1,710	$ 870	$ 28,702

(a) Contributions by S&T Bank to the Thrift Plan, which is a qualified defined contribution plan. S&T Bank makes matching contributions equal to 50% of the employee s 401(k) contributions, up to 3% of the employee s eligible compensation. In 2006 and 2007 respectively, S&T Bank also made a year-end profit sharing contribution equal to 2% and 5% of the employee s eligible compensation. In 2006, the employee s eligible compensation was $220,000. In 2007, the employee s eligible compensation was $225,000.

(b) Contributions by S&T Bank to the Nonqualified Benefit Plan that was established in order that certain management employees, including the Named Executive Officers, not lose benefits that would normally have accrued in qualified plans except for federal tax laws setting annual compensation limits for qualified plans and additional limitations related to highly compensated employees.

(c) This column represents the aggregate incremental cost to S&T for providing a car to the Named Executive Officer. The cost includes the expense of depreciation, insurance, registration fees, maintenance and fuel (calculated by multiplying the actual miles for 2006 & 2007 respectively by an average cost per mile, assuming an estimated $2.55 and $2.76 per gallon). E.C. Hauck company car amount in 2007 includes $5,954 of personal car allowance and $1,750 of company car compensation. D.L. Krieger company car amount in 2007 includes $19,625 for the fair market value of the company car that S&T gave to him as part of his retirement package.

(d) Membership dues paid to country clubs and social clubs. Expenses of a personal nature or related to a spouse are not paid by S&T.

(e) This column includes the excess premiums reported as taxable compensation on the Named Executive Officer s W-2 for life insurance at three times salary. This insurance benefit is provided to all full time employees on a nondiscriminatory basis.

(f) Dividends on unvested restricted Common Stock, which are reported as taxable compensation on the Named Executive Officer s W-2.

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Grants of Plan-Based Awards for Fiscal Year 2007

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)(1)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	Grant Date Fair Value of Stock and Option Awards
J.C. Miller	12/17/2007				4,007	$ 122,474
			171,500			
R.E. Rout	12/17/2007				2,044	$ 62,475
			87,500			
T.D. Brice	12/17/2007				2,453	$ 74,976
			105,000			
E.C. Hauck	12/17/2007				1,897	$ 57,982
			81,200			
D.L. Krieger	12/17/2007				2,249	$ 68,741
			75,000			

(1) This column includes the target management incentive bonus for 2007 paid on January 10, 2008. See the Compensation Discussion and Analysis Short-Term Incentive Awards on page 14.

(2) The S&T Board awarded the restricted shares of Common Stock on December 17, 2007 with 25% vesting each year, beginning on January 1, 2009. The fair market value of S&T s common stock on December 17, 2007 was $30.565 per share.

Outstanding Equity Awards At 2007 Fiscal Year-End

Name	Option Awards: Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Options (#) Unexercisable(1)	Option Exercise Price ($)	Option Expiration Date	Stock Awards: Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(2)
J.C. Miller						
Granted 12/20/1999	25,000		$ 22.88	3,315,630		
Series A 5.00% 1/1/26		1,000,000	1,103,500			
Series A 5.00% 1/1/33		1,000,000	1,117,490			
Series A 5.00% 1/1/40		750,000	828,810			
Series A 5.00% 1/1/46		2,500,000	2,747,350			
Series A 5.00% 1/1/49		1,610,000	1,826,416			
			25,176,648			
Healthcare Revenue Bonds 36.14%						
Anoka Health Care Facilities Revenue 5.375% 11/1/34		610,000	642,403			

Apple Valley Senior Housing Revenue (PHS Senior Housing, Inc. Orchard Path Project)		
4.50% 9/1/53	2,000,000	1,979,060
5.00% 9/1/58	1,605,000	1,660,838
Apple Valley Senior Living Revenue (Senior Living LLC Project)		
Series B 5.00% 1/1/47	750,000	766,163
Series D 7.00% 1/1/37	720,000	711,144
Series D 7.25% 1/1/52	1,000,000	1,002,290
Center City Health Care Facilities Revenue (Hazelden Betty Ford Foundation Project)		
5.00% 11/1/27	500,000	560,505

(continues)

Schedules of investments

Delaware Investments® Minnesota Municipal Income Fund II, Inc.

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Healthcare Revenue Bonds (continued)			
Center City Health Care Facilities Revenue (Hazelden Foundation Project) 5.00% 11/1/41	1,600,000	$	1,635,968
City of Bethel (The Lodge at Lakes at Stillwater Project) 5.25% 6/1/58	900,000		918,171
Cloquet Housing Facilities Revenue (HADC Cloquet Project) Series A 5.00% 8/1/48	500,000		504,955
Dakota County Community Development Agency Senior Housing Revenue (Walker Highview Hills Project)			
Series A 144A 5.00% 8/1/46 #	370,000		372,024
Series A 144A 5.00% 8/1/51 #	755,000		757,816
Deephaven Housing & Healthcare Revenue (St. Therese Senior Living Project)			
Series A 5.00% 4/1/38	280,000		280,445
Series A 5.00% 4/1/40	270,000		270,216
Duluth Economic Development Authority (St. Luke s Hospital Authority Obligation Group)			
5.75% 6/15/32	1,400,000		1,510,950
6.00% 6/15/39	1,000,000		1,088,960
Fergus Falls Health Care Facilities Revenue (Lake Region Healthcare) 5.00% 8/1/30	1,000,000		1,001,360
Hayward (American Baptist Homes Midwest) 5.75% 2/1/44	500,000		508,860
Hayward Health Care Facilities Revenue (St. John s Lutheran Home of Albert Lea) 5.375% 10/1/44	400,000		415,876

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Healthcare Revenue Bonds (continued)			
Maple Grove Health Care Facilities Revenue (Maple Grove Hospital Corporation) 4.00% 5/1/37	1,000,000	$	996,080
(North Memorial Health Care) 5.00% 9/1/30	865,000		950,730
Minneapolis Health Care System Revenue			
(Fairview Health Services)			
Series A 4.00% 11/15/48	1,500,000		1,479,255
Series A 5.00% 11/15/33	500,000		560,255
Series A 5.00% 11/15/34	500,000		558,565
Series A 5.00% 11/15/49	2,000,000		2,194,360
(Unrefunded - Fairview Health Services) Series B 6.50% 11/15/38 (AGC)	1,940,000		1,950,786
Minneapolis Senior Housing & Healthcare Revenue			

(Ecumen Mill City Quarter) 5.25% 11/1/45	850,000	873,961
5.375% 11/1/50	200,000	206,244
(Ecumen-Abiitan Mill City Project) 5.00% 11/1/35	220,000	224,864
Minneapolis St. Paul Housing & Redevelopment Authority Health Care Revenue (Allina Health System) Series A 5.00% 11/15/29	585,000	672,785
(Children s Health Care Facilities) Series A1 5.00% 8/15/34 (AGM)	500,000	522,305
Rochester Health Care & Housing Revenue (The Homestead at Rochester Project) Series A 6.875% 12/1/48	1,220,000	1,371,207
Rochester Health Care Facilities Revenue (Mayo Clinic) 4.00% 11/15/41	4,860,000	4,980,042
Sartell Health Care Facilities Revenue (Country Manor Campus Project)		
5.25% 9/1/30	1,000,000	1,076,350
Series A 5.30% 9/1/37	600,000	648,348

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	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Healthcare Revenue Bonds (continued)			
Shakopee Health Care Facilities Revenue (St. Francis Regional Medical Center)			
4.00% 9/1/31	205,000	$	210,869
5.00% 9/1/34	165,000		178,205
St. Cloud Health Care Revenue (Centracare Health System Project)			
Series A 4.00% 5/1/37	1,295,000		1,330,794
Series A 5.00% 5/1/46	4,800,000		5,242,224
Series B 5.00% 5/1/24	1,400,000		1,581,230
(Unrefunded - Centracare Health System Project) 5.125% 5/1/30	95,000		99,306
St. Paul Housing & Redevelopment Authority Health Care Facilities Revenue (Allina Health System)			
Series A1 5.25% 11/15/29	640,000		665,875
(Fairview Health Services)			
Series A 4.00% 11/15/43	905,000		905,652
Series A 5.00% 11/15/47	680,000		742,363
(Health Partners Obligation Group Project) 5.00% 7/1/29	2,000,000		2,255,620
Series A 5.00% 7/1/32	1,100,000		1,227,732
St. Paul Housing & Redevelopment Authority Housing & Health Care Facilities Revenue (Senior Episcopal Homes Project) 5.125% 5/1/48	1,200,000		1,195,416
Series A 4.75% 11/1/31	740,000		737,832
Wayzata Senior Housing Revenue (Folkestone Senior Living Community)			
Series A 5.50% 11/1/32	420,000		433,028
Series A 5.75% 11/1/39	945,000		974,881
Series A 6.00% 5/1/47	1,475,000		1,522,952

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Healthcare Revenue Bonds (continued)			
Winona Health Care Facilities Revenue (Winona Health Obligation)			
4.65% 7/1/26	465,000	$	475,314
4.75% 7/1/27	785,000		804,028

5.00% 7/1/34	750,000	768,300
Woodbury Housing & Redevelopment Authority Revenue		
(St. Therese of Woodbury)		
5.125% 12/1/44	1,250,000	1,290,213
		58,495,975
Housing Revenue Bonds 1.98%		
Minneapolis Multifamily Housing Revenue		
(Olson Townhomes Project) 6.00% 12/1/19 (AMT)	270,000	270,432
Minnesota Housing Finance Agency		
(Non Ace - State Appropriated Housing) 5.00% 8/1/33	1,390,000	1,556,578
Minnesota State Housing Finance Agency Homeownership (Mortgage-Backed Securities Program) 4.40% 7/1/32 (GNMA) (FNMA)	785,000	801,548
Northwest Multi-County Housing & Redevelopment Authority (Pooled Housing Program)		
5.50% 7/1/45	560,000	566,468
		3,195,026
Lease Revenue Bonds 10.13%		
Minnesota State General Fund Revenue Appropriations		
Series A 5.00% 6/1/32	780,000	863,140
Series A 5.00% 6/1/38	5,500,000	6,032,950
Series A 5.00% 6/1/43	1,750,000	1,913,958
Series B 5.00% 3/1/29	1,000,000	1,089,170
Minnesota State Housing Finance Agency (Non Ace - State Appropriated Housing)		
Series C 5.00% 8/1/36	1,000,000	1,116,410

(continues)

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Schedules of investments

Delaware Investments® Minnesota Municipal Income Fund II, Inc.

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Lease Revenue Bonds (continued)			
University of Minnesota Special Purpose Revenue (State Supported Biomed Science Research)			
5.00% 8/1/35	1,040,000	$	1,091,553
5.00% 8/1/36	4,000,000		4,285,120
			16,392,301
Local General Obligation Bonds 12.42%			
Brainerd Independent School District No 181 (General Obligation School Building Bonds) Series A 4.00% 2/1/38	1,500,000		1,547,160
Brainerd Independent School District No. 181 (General Obligation School Building Bonds) Series A 4.00% 2/1/43	1,500,000		1,523,340
Burnsville-Eagan-Savage Independent School District No 191 (Alternative Facilities) Series A 4.00% 2/1/28	1,185,000		1,267,642
Duluth Independent School District No 709 Series A 4.00% 2/1/27	600,000		635,550
Duluth, Minnesota (Improvement DECC) Series A 5.00% 2/1/34	545,000		616,613
Edina Independent School District No. 273 Series A 5.00% 2/1/27	1,500,000		1,721,100
Hennepin County			
Series A 5.00% 12/1/36	1,190,000		1,358,385
Series A 5.00% 12/1/37	1,240,000		1,427,711
Series A 5.00% 12/1/41	1,060,000		1,197,715
Hopkins Independent School District No. 270 Series A 5.00% 2/1/28	1,000,000		1,063,950
Mahtomedi Independent School District No. 832 (School Building) Series A 5.00% 2/1/28	515,000		589,608
Mounds View Independent School District No. 621 (School Building) Series A 4.00% 2/1/43	2,000,000		2,045,480

	Principal Amount°	Value (US $)
Municipal Bonds (continued)		
Local General Obligation Bonds (continued)		

St. Michael-Albertville Independent School District No. 885 (School Building) Series A 5.00% 2/1/27	1,300,000	$ 1,510,743
St. Paul Independent School District No. 625 (School Building) Series B 5.00% 2/1/26	1,000,000	1,106,300
Willmar (Rice Memorial Hospital Project) Series A 4.00% 2/1/32	2,440,000	2,490,581
		20,101,878
Pre-Refunded/Escrowed to Maturity Bonds 24.12%		
Anoka Health Care Facilities Revenue (Homestead Anoka Project) Series A 7.00% 11/1/46-19 §	1,200,000	1,273,392
Dakota-Washington Counties Housing & Redevelopment Authority Single Family Residential Mortgage Revenue (City of Bloomington) Series B 8.375% 9/1/21 (GNMA) (AMT)	7,055,000	8,175,898
Deephaven Charter School (Eagle Ridge Academy Project) Series A 5.50% 7/1/43-23 §	500,000	571,790
Minneapolis Health Care System Revenue (Fairview Health Services) Series A 6.625% 11/15/28-18 §	500,000	502,885
Minnesota Higher Education Facilities Authority Revenue (College of St. Benedict)		
Series 7-M 5.00% 3/1/31-20 §	300,000	312,351
Series 7-M 5.125% 3/1/36-20 §	275,000	286,798
(St. Catherine University) Series 7-Q 5.00% 10/1/32-22 §	700,000	770,658
(University of St. Thomas) Series 7-A 5.00% 10/1/39-19 §	1,000,000	1,029,370

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	Principal Amount°	Value (US $)
Municipal Bonds (continued)		
Pre-Refunded/Escrowed to Maturity Bonds (continued)		
Minnesota State (Various Purposes) Series D 5.00% 8/1/24-20 §	65,000	$ 68,450
Rochester Health Care & Housing Revenue (Samaritan Bethany) Series A 7.375% 12/1/41-19 §	1,220,000	1,294,139
Rocori Independent School District No. 750 (School Building)		
Series B 5.00% 2/1/24-19 §	1,075,000	1,086,320
Series B 5.00% 2/1/25-19 §	1,115,000	1,126,741
Series B 5.00% 2/1/26-19 §	1,155,000	1,167,162
St. Cloud Health Care Revenue (Centracare Health System Project) 5.50% 5/1/39-19 (AGC) §	1,500,000	1,530,570
Series A 5.125% 5/1/30-20 §	3,830,000	4,012,806
St. Louis Park Health Care Facilities Revenue (Park Nicollet Health Services) 5.75% 7/1/39-19 §	2,000,000	2,054,980
St. Paul Housing & Redevelopment Authority Health Care Facilities Revenue (Allina Health System) Series A1 5.25% 11/15/29-19 §	755,000	781,923
St. Paul Housing & Redevelopment Authority Hospital Facility (Healtheast Care System Project)		
Series A 5.00% 11/15/29-25 §	395,000	458,749
Series A 5.00% 11/15/30-25 §	290,000	336,803
University of Minnesota		
Series A 5.25% 4/1/29-19 §	1,000,000	1,016,800
Series A 5.50% 7/1/21	4,000,000	4,229,200

	Principal Amount°	Value (US $)
Municipal Bonds (continued)		
Pre-Refunded/Escrowed to Maturity Bonds (continued)		
University of Minnesota		
Series D 5.00% 12/1/27-21 §	1,110,000	$ 1,209,789
Series D 5.00% 12/1/29-21 §	1,265,000	1,378,724
Series D 5.00% 12/1/31-21 §	1,000,000	1,089,900
Series D 5.00% 12/1/36-21 §	3,000,000	3,269,700
		39,035,898
Special Tax Revenue Bonds 1.52%		
Guam Government Business Privilege Tax Revenue Series A 5.25% 1/1/36	150,000	157,607
Minneapolis Community Planning & Economic Development Department (Limited Tax Supported Common Bond Fund) 6.25% 12/1/30	1,000,000	1,083,760
Minneapolis Revenue (YMCA Greater Twin Cities Project) 4.00% 6/1/29	165,000	173,101
St. Paul Sales Tax Revenue Series G 5.00% 11/1/30	935,000	1,047,032
		2,461,500
State General Obligation Bonds 14.38%		
Minnesota State		
Series A 5.00% 8/1/24	2,500,000	2,864,800
Series A 5.00% 8/1/29	700,000	803,082
Series E 5.00% 10/1/26	1,480,000	1,750,218
(State Trunk Highway)		
Series B 5.00% 10/1/22	5,500,000	5,962,660
Series B 5.00% 10/1/29	3,315,000	3,575,791
(Various Purposes)		
Series D 5.00% 8/1/24	2,635,000	2,775,841
Series F 5.00% 10/1/22	5,000,000	5,545,050
		23,277,442
Transportation Revenue Bonds 6.84%		
Minneapolis St. Paul Metropolitan Airports Commission Revenue		
5.00% 1/1/22	670,000	711,346

Subordinate		
Series A 5.00% 1/1/31	410,000	473,386
Series A 5.00% 1/1/32	1,255,000	1,443,062
Series B 5.00% 1/1/26	540,000	584,118

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Schedules of investments

Delaware Investments® Minnesota Municipal Income Fund II, Inc.

	Principal Amount°	Value (US $)
Municipal Bonds (continued)		
Transportation Revenue Bonds (continued)		
Minneapolis St. Paul Metropolitan Airports Commission Revenue		
Series B 5.00% 1/1/26 (AMT)	500,000	$ 553,055
Series B 5.00% 1/1/27	1,190,000	1,286,449
Series B 5.00% 1/1/30	500,000	536,150
Series B 5.00% 1/1/31	250,000	267,833
Series C 5.00% 1/1/33	2,000,000	2,291,820
Series C 5.00% 1/1/36	1,000,000	1,133,400
Series C 5.00% 1/1/46	1,245,000	1,391,898
St. Paul Port Authority Revenue (Amherst H. Wilder Foundation)		
Series 3 5.00% 12/1/36	380,000	394,337
		11,066,854
Water & Sewer Revenue Bonds 3.61%		
Guam Government Waterworks Authority		
5.00% 7/1/40	840,000	914,374
5.00% 1/1/46	725,000	779,846
Metropolitan Council Waste Water Revenue		
Series B 4.00% 9/1/27	1,145,000	1,208,639
Series C 4.00% 3/1/31	1,355,000	1,450,907
Series C 4.00% 3/1/32	1,405,000	1,493,712
		5,847,478
Total Municipal Bonds (cost $235,696,452)		**239,083,672**

	Principal Amount°	Value

		(US $)
Short-Term Investment 0.06%		
Variable Rate Demand Notes 0.06%¤		
Minneapolis St. Paul, Minnesota Housing & Redevelopment Authority Health Care Revenue Series B (Children s Hospitals & Clinics) 1.48% 8/15/25 (AGM) (SPA US Bank N.A.)	100,000	$ 100,000
Total Short-Term Investment (cost $100,000)		**100,000**
Total Value of Securities 147.79% (cost $235,796,452)		**$ 239,183,672**

\# Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At Sept. 30, 2018, the aggregate value of Rule 144A securities was $4,379,436, which represents 2.71% of the Fund s net assets. See Note 5 in Notes to financial statements.

¤ Tax-exempt obligations that contain a floating or variable interest rate adjustment formula and an unconditional right of demand to receive payment of the unpaid principal balance plus accrued interest upon a short notice period (generally up to 30 days) prior to specified dates either from the issuer or by drawing on a bank letter of credit, a guarantee, or insurance issued with respect to such instrument. Each rate shown is as of Sept. 30, 2018.

§ Pre-refunded bonds. Municipal bonds that are generally backed or secured by US Treasury bonds. For pre-refunded bonds, the stated maturity is followed by the year in which the bond will be pre-refunded. See Note 5 in Notes to financial statements.

° Principal amount shown is stated in US Dollars unless noted that the security is denominated in another currency.

Summary of abbreviations:

AGC Insured by Assured Guaranty Corporation

AGM Insured by Assured Guaranty Municipal Corporation

AMT Subject to Alternative Minimum Tax

FNMA Federal National Mortgage Association Collateral

GNMA Government National Mortgage Association Collateral

N.A. National Association

SPA Stand-by Purchase Agreement

See accompanying notes, which are an integral part of the financial statements.

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Delaware Investments® National Municipal Income Fund

September 30, 2018 (Unaudited)

	Principal Amount°		Value (US $)
Municipal Bonds 144.55%			
Corporate Revenue Bonds 15.63%			
Buckeye, Ohio Tobacco Settlement Financing Authority Asset-Backed -2			
Series A-2 5.875% 6/1/47	500,000	$	500,000
Series A-2 6.50% 6/1/47	430,000		438,604
Central Plains Energy Project Revenue, Nebraska (Project No. 3)			
Series A 5.00% 9/1/36	225,000		259,526
Series A 5.00% 9/1/42	260,000		300,659
Commonwealth Financing Authority Revenue, Pennsylvania (Tobacco Master Settlement Payment) 4.00% 6/1/39 (AGM)	1,015,000		1,017,385
Florida Development Finance Corporation Surface Transportation Facility Revenue (Brightline Passenger Rail Project) 144A 5.625% 1/1/47 (AMT)#	300,000		312,867
Golden State Tobacco Securitization, California			
Series A-1 5.00% 6/1/47	350,000		358,561
Series A-1 5.25% 6/1/47	350,000		363,181
Louisiana Local Government Environmental Facilities & Community Development Authority (Westlake Chemical)			
Series A 6.50% 8/1/29	645,000		694,471
Series A-1 6.50% 11/1/35	255,000		275,872
M-S-R Energy Authority, California Gas			
Series B 6.50% 11/1/39	250,000		342,825
Series C 7.00% 11/1/34	1,000,000		1,397,220
New York City, New York Industrial Development Agency (Brooklyn Navy Yard Cogeneration Partners, L.P. Project) 5.75% 10/1/36 (AMT)	500,000		504,790

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Corporate Revenue Bonds (continued)			
New York Transportation Development (Delta Air Lines, Inc. - LaGuardia Airport Terminals C&D Redevelopment Project) 4.00% 1/1/36 (AMT)	750,000	$	746,265
Shoals, Indiana (National Gypsum Project) 7.25% 11/1/43 (AMT)	310,000		344,900
Suffolk County, New York Tobacco Asset Securitization Series B 5.00% 6/1/32	750,000		800,040
Tobacco Settlement Financing Corporation, Louisiana Asset-Backed Note Series A 5.25% 5/15/35	460,000		492,278
Tobacco Settlement Financing Corporation, New Jersey			

Series A 5.00% 6/1/46	130,000	139,789
Series B 5.00% 6/1/46	335,000	353,907
TSASC Revenue, New York (Settlement) Series A 5.00% 6/1/41	60,000	64,217
Valparaiso, Indiana (Pratt Paper Project) 7.00% 1/1/44 (AMT)	240,000	278,558
		9,985,915
Education Revenue Bonds 23.52%		
Arizona Industrial Development Authority Revenue (American Charter Schools Foundation Project) 144A 6.00% 7/1/47 #	330,000	343,626
California Educational Facilities Authority Revenue (Loma Linda University) Series A 5.00% 4/1/47	500,000	551,625
East Hempfield Township, Pennsylvania Industrial Development Authority (Student Services Income - Student Housing Project) 5.00% 7/1/35	1,000,000	1,054,730

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Schedules of investments

Delaware Investments® National Municipal Income Fund

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Education Revenue Bonds (continued)			
Health & Educational Facilities Authority of the State of Missouri (St. Louis College of Pharmacy Project) 5.25% 5/1/33	500,000	$	539,575
(Washington University) Series B 5.00% 11/15/30	600,000		648,666
Illinois Finance Authority Revenue (CHF - Chicago, L.L.C. - University Of Illinois at Chicago Project) Series A 5.00% 2/15/50	460,000		490,148
(Chicago International Charter School Project) 5.00% 12/1/47	535,000		549,210
Kent County, Delaware Student Housing and Dining Facilities Revenue (CHF-Dover, L.L.C. - Delaware State University Project) Series A 5.00% 7/1/53	115,000		120,724
Louisiana Public Facilities Authority Revenue (Provident Group-Flagship Properties) Series A 5.00% 7/1/56	500,000		529,240
Maryland Health & Higher Educational Facilities Authority (Loyola University) Series A 5.00% 10/1/39	650,000		700,147
Massachusetts Development Finance Agency (Umass Boston Student Housing Project) 5.00% 10/1/48	285,000		304,947
Montgomery County, Pennsylvania Higher Education & Health Authority Revenue (Arcadia University) 5.25% 4/1/30	550,000		566,110
New Hope, Texas Cultural Education Facilities (Chief-Collegiate Housing- Tarleton St.) 5.00% 4/1/34	1,000,000		1,059,020

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Education Revenue Bonds (continued)			
New York City, New York Trust For Cultural Resources (Whitney Museum of American Art) 5.00% 7/1/31	500,000	$	527,355
New York State Dormitory Authority (Columbia University) 5.00% 10/1/41	600,000		637,296
Pennsylvania State University Series A 5.00% 9/1/47	1,000,000		1,128,680
Philadelphia, Pennsylvania Authority for Industrial Development (1st Philadelphia Preparatory College) 7.25% 6/15/43	370,000		415,702
Phoenix, Arizona Industrial Development Authority Revenue (Downtown Phoenix Student Housing, LLC - Arizona State University Project) Series A 5.00% 7/1/42	100,000		108,084
(Rowan University Project) 5.00% 6/1/42	1,000,000		1,053,930
Pima County, Arizona Industrial Development Authority Education Revenue (Edkey Charter School Project) 6.00% 7/1/48	500,000		464,030
	135,000		140,246

Private Colleges & Universities Authority Revenue, Georgia (Mercer University) Series A 5.00% 10/1/32		
Swarthmore Borough Authority, Pennsylvania (Swarthmore College Project) 5.00% 9/15/32	490,000	549,638
Troy, New York Capital Resource Revenue (Rensselaer Polytechnic) Series A 5.125% 9/1/40	600,000	623,982
University of California		
Series AI 5.00% 5/15/32	1,000,000	1,114,870
Series AZ 5.25% 5/15/58	465,000	536,298

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	Principal Amount°	Value (US $)
Municipal Bonds (continued)		
Education Revenue Bonds (continued)		
Wyoming Community Development Authority Student Housing Revenue (CHF-Wyoming LLC) 6.50% 7/1/43	250,000	$ 262,765
		15,020,644
Electric Revenue Bonds 2.66%		
JEA Electric System Revenue, Florida Series A 5.00% 10/1/33	355,000	389,967
Long Island Power Authority, New York		
Series A 5.00% 9/1/44	250,000	274,065
Series B 5.00% 9/1/46	130,000	143,468
Long Island Power Authority, New York Electric System Revenue 5.00% 9/1/47	305,000	339,270
Philadelphia, Pennsylvania Gas Works Revenue (1998 General Ordinance Fifteenth Series) 5.00% 8/1/47	500,000	549,745
		1,696,515
Healthcare Revenue Bonds 27.43%		
Alabama Special Care Facilities Financing Authority-Birmingham Alabama (Methodist Home for the Aging) 6.00% 6/1/50	500,000	548,465
Allegheny County Hospital, Pennsylvania Development Authority (Allegheny Health Network Obligated Group Issue) Series A 4.00% 4/1/44	300,000	292,500
Arizona Health Facilities Authority Revenue (Catholic Healthcare West) Series D 5.00% 7/1/28	500,000	508,880
Berks County Industrial Development Authority Revenue (Tower Health Project) 5.00% 11/1/50	1,000,000	1,077,850

	Principal Amount°	Value

		(US $)
Municipal Bonds (continued)		
Healthcare Revenue Bonds (continued)		
California Health Facilities Financing Authority Revenue (Kaiser Permanente) Series A-2 5.00% 11/1/47	400,000	$ 498,756
California Statewide Communities Development Authority (Loma Linda University Medical Center) Series A 144A 5.25% 12/1/56 #	760,000	810,244
Capital Trust Agency, Florida (Tuscan Gardens Senior Living Center) Series A 7.00% 4/1/49	375,000	361,763
Colorado Health Facilities Authority Revenue (Healthcare Facilities - American Baptist) 8.00% 8/1/43	330,000	373,649
Cuyahoga County, Ohio Hospital Revenue (The Metrohealth System) 5.50% 2/15/57	1,000,000	1,079,900
Kalispell, Montana (Immanuel Lutheran Corporation Project) Series A 5.25% 5/15/37	700,000	728,504
Lycoming County, Pennsylvania Authority Health System Revenue (Susquehanna Health System Project) Series A 5.50% 7/1/28	500,000	512,975
Maine Health & Higher Educational Facilities Authority Revenue (Maine General Medical Center) 6.75% 7/1/41	300,000	320,514
Maricopa County, Arizona Industrial Development Authority Health Facilities Revenue (Catholic Healthcare West) Series A 6.00% 7/1/39	500,000	513,605
Maryland Health & Higher Educational Facilities Authority (University Of Maryland Medical System Issue) Series D 4.00% 7/1/48	255,000	254,107

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Schedules of investments

Delaware Investments® National Municipal Income Fund

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Healthcare Revenue Bonds (continued)			
Miami-Dade County, Florida Health Facilities Authority Revenue (Nicklaus Children s Hospital Project) 5.00% 8/1/47	200,000	$	217,852
Michigan Finance Authority Revenue (Beaumont Health Credit Group) 5.00% 11/1/44	1,000,000		1,084,840
Montgomery County Higher Education & Health Authority Revenue (Thomas Jefferson University) 4.00% 9/1/49	750,000		735,615
Moon, Pennsylvania Industrial Development Authority (Baptist Homes Society Obligation) 6.125% 7/1/50	750,000		797,310
New Hope, Texas Cultural Education Facilities (Cardinal Bay Inc.)			
Series A1 4.00% 7/1/36	55,000		55,989
Series A1 5.00% 7/1/46	135,000		146,625
Series A1 5.00% 7/1/51	135,000		146,530
Series B 4.25% 7/1/36	80,000		80,521
Series B 4.75% 7/1/51	160,000		163,526
Series B 5.00% 7/1/46	135,000		140,620
New Jersey Health Care Facilities Financing Authority Revenue (St. Peters University Hospital) 6.25% 7/1/35	300,000		318,336
New York State Dormitory Authority (Orange Regional Medical Center) 144A 5.00% 12/1/35 #	500,000		545,070
Oklahoma Development Finance Authority Revenue (OU Medicine Project) Series B 5.50% 8/15/57	215,000		237,382
Orange County, Florida Health Facilities Authority Revenue (Mayflower Retirement Center)			
5.00% 6/1/32	400,000		415,528
5.00% 6/1/36	250,000		258,610
5.125% 6/1/42	750,000		774,338

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Healthcare Revenue Bonds (continued)			
Oregon State Facilities Authority Revenue (Peacehealth Project) Series A 5.00% 11/15/29	500,000	$	554,890
Palm Beach County Health Facilities Authority, Florida (Sinai Residences Boca Raton Project)			
7.25% 6/1/34	20,000		22,642

7.50% 6/1/49	105,000	119,604
Palomar Health, California 5.00% 11/1/39	130,000	139,082
Tarrant County, Texas Cultural Education Facilities Finance (Buckner Senior Living - Ventana Project) 6.75% 11/15/47	250,000	274,985
Westminster, Maryland (Lutheran Village Millers Grant Inc.) 6.00% 7/1/34	500,000	531,330
Wisconsin Health & Educational Facilities Authority (Covenant Communities, Inc. Project)		
Series A1 4.00% 7/1/48	95,000	90,390
Series B 5.00% 7/1/53	1,000,000	1,006,950
Yavapai County, Arizona Industrial Development Authority Revenue (Yavapai Regional Medical Center) Series A 5.00% 8/1/28	720,000	776,880
		17,517,157
Lease Revenue Bonds 7.87%		
California State Public Works Board Lease Revenue (Various Capital Projects) Series A 5.00% 4/1/37	1,000,000	1,082,170
Idaho State Building Authority Revenue (Health & Welfare Project) Series A 5.00% 9/1/24	135,000	146,736
Minnesota State General Revenue Appropriations Series B 5.00% 3/1/29	1,000,000	1,089,170
New Jersey Economic Development Authority Series WW 5.25% 6/15/30	1,000,000	1,101,810

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	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Lease Revenue Bonds (continued)			
New Jersey Transportation Trust Fund Authority (Federal Highway Reimbursement Revenue Refunding Notes) Series A 5.00% 6/15/29	1,000,000	$	1,106,150
Public Finance Authority, Wisconsin Airport Facilities Revenue (AFCO Investors II Portfolio) 144A 5.75% 10/1/31 #	500,000		502,120
			5,028,156
Local General Obligation Bonds 3.68%			
Chicago Board of Education, Illinois			
5.00% 4/1/42	205,000		219,188
5.00% 4/1/46	210,000		223,910
Chicago, Illinois			
Series A 5.50% 1/1/34	225,000		241,038
Series C 5.00% 1/1/38	500,000		519,355
District of Columbia Series A 5.00% 6/1/37	1,000,000		1,136,840
New York, New York Series I-1 5.375% 4/1/36	10,000		10,166
			2,350,497
Pre-Refunded/Escrowed to Maturity Bonds 18.23%			
Atlanta, Georgia Water & Wastewater Revenue Series A 6.25% 11/1/39-19§	300,000		313,854
Bowling Green, Ohio Student Housing Revenue (CFP I State University Project) 6.00% 6/1/45-20§	260,000		276,929
Brooklyn Arena Local Development, New York Pilot Revenue (Barclays Center Project)			
6.25% 7/15/40-20§	940,000		992,414
6.50% 7/15/30-20§	300,000		317,679
Butler County, Pennsylvania Hospital Authority Revenue (Butler Health System Project) 7.125% 7/1/29-19§	300,000		311,403

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Pre-Refunded/Escrowed to Maturity Bonds (continued)			
California Municipal Finance Authority Mobile Home Park Revenue (Caritas Project) Series A 6.40% 8/15/45-20§	400,000	$	428,852
California State 6.00% 4/1/38-19§	35,000		35,754
California Statewide Communities Development Authority School Facility Revenue (Aspire Public Schools) 6.125% 7/1/46-19§	625,000		631,925
Central Texas Regional Mobility Authority Revenue Senior Lien 6.00% 1/1/41-21§	520,000		563,191
Hawaii Pacific Health Special Purpose Revenue Series A 5.50% 7/1/40-20§	300,000		318,090
Illinois Finance Authority Revenue (Silver Cross & Medical Centers) 7.00% 8/15/44-19§	950,000		990,793
JEA Electric System Revenue, Florida Series A 5.00% 10/1/33-23§	645,000		725,793
Koyukuk, Alaska Revenue (Tanana Chiefs Conference Health Care Facility Project) 7.75% 10/1/41-19§	300,000		316,611
Louisiana Public Facilities Authority Revenue (Ochsner Clinic Foundation Project) 6.50% 5/15/37-21§	105,000		116,712
Maryland State Economic Development Revenue (Transportation Facilities Project) Series A 5.75% 6/1/35-20§	255,000		270,782
Metropolitan Transportation Authority Revenue, New York			
Series A 5.00% 11/15/41-21§	190,000		207,391
(Unrefunded) Series A 5.00% 11/15/41-21§	310,000		338,374

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Schedules of investments

Delaware Investments® National Municipal Income Fund

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Pre-Refunded/Escrowed to Maturity Bonds (continued)			
Monroe County, New York Industrial Development Revenue (Nazareth College Rochester Project) 5.50% 10/1/41-21§	495,000	$	544,248
Monroe County, Pennsylvania Hospital Authority Revenue (Pocono Medical Center) Series A 5.00% 1/1/41-22§	500,000		544,450
New Hampshire Health and Education Facilities Authority Revenue (Dartmouth - Hitchcock Medical Center) 6.00% 8/1/38-19§	300,000		309,852
New Jersey Economic Development Authority Revenue (MSU Student Housing Project) 5.875% 6/1/42-20§	450,000		478,764
New Jersey Turnpike Authority			
Series A 5.00% 1/1/27-22§	475,000		524,557
Series A 5.00% 1/1/27-22§	25,000		27,608
New York City, New York Water & Sewer System Revenue 5.00% 6/15/47-23§	160,000		180,976
New York, New York Series I-1 5.375% 4/1/36-19§	240,000		244,241
Ohio State (Cleveland Clinic Health) Series A 5.50% 1/1/39-19§	300,000		302,745
Oregon State Facilities Authority Revenue (Concordia University Project) Series A 144A 6.125% 9/1/30-20#§	100,000		106,435
Pennsylvania State Higher Educational Facilities Authority Revenue (Edinboro University Foundation) 5.80% 7/1/30-20§	400,000		425,104

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Pre-Refunded/Escrowed to Maturity Bonds (continued)			
Pennsylvania Turnpike Commission Subordinate (Motor License Fund) Series B 5.00% 12/1/41-21§	260,000	$	282,955
University Medical Center, Tucson, Arizona Hospital Revenue 6.50% 7/1/39-19§	500,000		516,700
			11,645,182
Special Tax Revenue Bonds 11.88%			
Central Puget Sound, Washington Regional Transit Authority (Green Bond - Improvement) Series S-1 5.00% 11/1/35	750,000		844,013
Guam Government Business Privilege Tax Revenue Series B-1 5.00% 1/1/42	540,000		559,256

Kansas City, Missouri Redevelopment Authority Revenue (Convention Centre Hotel Project - TIF Financing) Series B 144A 5.00% 2/1/40 #	135,000	138,901
Massachusetts Bay Transportation Authority Senior Series A 5.25% 7/1/29	200,000	245,822
Mosaic District, Virginia Community Development Authority Revenue Series A 6.875% 3/1/36	520,000	559,016
New Jersey Economic Development Authority Revenue		
(Cigarette Tax)		
5.00% 6/15/28	200,000	211,606
5.00% 6/15/29	800,000	843,856
(School Facilities Construction) Series AA 5.50% 12/15/29	295,000	300,927

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	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Special Tax Revenue Bonds (continued)			
New York City, New York Transitional Finance Authority Future Tax Secured Revenue (Future Tax Secured - Subordinated Fiscal) Series E-1 5.00% 2/1/41	745,000	$	819,470
New York State Dormitory Authority Series A 5.00% 3/15/33	1,000,000		1,098,520
Northampton County, Pennsylvania Industrial Development Authority Revenue (Route 33 Project) 7.00% 7/1/32	205,000		231,240
Public Finance Authority, Wisconsin Airport Facilities Revenue (American Dream @ Meadowlands Project) 144A 7.00% 12/1/50 #	380,000		435,594
Regional Transportation District, Colorado Tax Revenue (Denver Transit Partners) 6.00% 1/15/41	500,000		520,285
Sales Tax Securitization, Illinois Series A 5.00% 1/1/40	500,000		545,980
Wyandotte County, Kansas City, Kansas Unified Government Special Obligation Revenue (Sales Tax - Vacation Village Project A) Series A 5.75% 9/1/32	220,000		234,159
			7,588,645
State General Obligation Bonds 6.22%			
California State 5.25% 11/1/40	320,000		341,085
(Unrefunded-Various Purpose) 6.00% 4/1/38	70,000		71,406
(Various Purposes) 5.00% 10/1/41	440,000		476,080
5.00% 11/1/47	1,000,000		1,141,700
Illinois State			
5.00% 5/1/36	90,000		92,285
5.00% 11/1/36	1,170,000		1,209,218

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
State General Obligation Bonds (continued)			
Illinois State			
5.00% 2/1/39	160,000	$	163,061
Series A 5.00% 4/1/38	170,000		173,495

New York State		
Series A 5.00% 2/15/39	300,000	303,285
		3,971,615
Transportation Revenue Bonds 24.50%		
Alameda Corridor, California Transportation Authority (2nd Sub Lien) Series B 5.00% 10/1/37	430,000	468,390
Atlanta, Georgia Department of Aviation Series B 5.00% 1/1/29	1,000,000	1,115,930
California Municipal Finance Authority Mobile Home Park Revenue (LINXS APM Project) 5.00% 12/31/47 (AMT)	615,000	670,411
Chicago, Illinois O Hare International Airport Revenue (General-Senior Lien) Series D 5.25% 1/1/34	1,000,000	1,091,550
Harris County, Texas Toll Road Authority Revenue (Senior Lien) Series A 4.00% 8/15/48	500,000	504,655
New Jersey Turnpike Authority Series B 5.00% 1/1/40	250,000	280,443
New Orleans, Louisiana Aviation Board Series B 5.00% 1/1/45 (AMT)	1,000,000	1,072,440
New York Liberty Development Revenue (1 World Trade Center Port Authority Construction) 5.00% 12/15/41	500,000	537,110
New York Transportation Development (La Guardia Airport) Series A 5.25% 1/1/50 (AMT)	700,000	745,969
Pennsylvania Turnpike Commission Subordinate		
Series A-1 5.00% 12/1/43	500,000	538,935
Series A-1 5.00% 12/1/47	210,000	230,530

(continues)

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Schedules of investments

Delaware Investments® National Municipal Income Fund

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Transportation Revenue Bonds (continued)			
Pennsylvania Turnpike Commission Subordinate (Motor License Fund) Series B 5.00% 12/1/41	240,000	$	255,497
Port Authority of Allegheny County, Pennsylvania 5.75% 3/1/29	900,000		974,475
Port Authority of New York & New Jersey Special Project (JFK International Air Terminal)			
6.00% 12/1/42	230,000		248,872
6.50% 12/1/28	500,000		523,535
Salt Lake City, Utah Airport Revenue Series B 5.00% 7/1/42	625,000		699,081
South Jersey Port, New Jersey (Subordinated Marine Terminal Revenue)			
Series A 5.00% 1/1/49	85,000		91,921
Series B 5.00% 1/1/42 (AMT)	85,000		91,104
Series B 5.00% 1/1/48 (AMT)	195,000		208,073
St. Louis, Missouri Airport Revenue (Lambert St. Louis International)			
5.00% 7/1/32 (AMT)	1,000,000		1,073,280
Series A-1 6.625% 7/1/34	325,000		335,439
Texas Private Activity Bond Surface Transportation (Senior Lien - Blueridge Transportation)			
5.00% 12/31/40 (AMT)	110,000		117,784
5.00% 12/31/45 (AMT)	110,000		117,425
5.00% 12/31/50 (AMT)	160,000		170,386
5.00% 12/31/55 (AMT)	160,000		169,867
Texas Private Activity Bond Surface Transportation Corporate Senior Lien Revenue (LBJ Infrastructure)			
7.00% 6/30/40	285,000		305,982
7.50% 6/30/33	665,000		721,013
(Mobility Partners) 7.50% 12/31/31	500,000		531,185

	Principal Amount°		Value (US $)
Municipal Bonds (continued)			
Transportation Revenue Bonds (continued)			
Texas Private Activity Bond Surface Transportation Corporate Senior Lien Revenue (NTE Mobility Partners)			
6.75% 6/30/43 (AMT)	225,000	$	259,607
6.875% 12/31/39	1,000,000		1,052,200
7.00% 12/31/38 (AMT)	165,000		192,968
	235,000		250,573

Virginia Small Business Financing Authority (Transform 66 P3 Project) 5.00% 12/31/56 (AMT)		
		15,646,630
Water & Sewer Revenue Bonds 2.93%		
New York City, New York Water & Sewer System Revenue (Unrefunded Balance) 5.00% 6/15/47	185,000	200,686
Philadelphia, Pennsylvania Water & Wastewater Revenue Series A 5.00% 7/1/45	500,000	544,690
Southern California Water Replenishment District 5.00% 8/1/41	1,000,000	1,126,600
		1,871,976
Total Municipal Bonds (cost $88,935,365)		**92,322,932**
Short-Term Investments 0.78%		
Variable Rate Demand Notes 0.78%¤		
Arizona Health Facilities Authority Series C (Banner Health) 1.50% 1/1/46 (LOC Bank of America N.A.)	150,000	150,000

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	Principal Amount°	Value (US $)
Short-Term Investments (continued)		
Variable Rate Demand Notes¤ (continued)		
Mississippi Business Finance Corporation Gulf Opportunity Zone Industrial Development Revenue Series 2011A (Chevron USA) 1.48% 11/1/35	350,000	$ 350,000
Total Short-Term Investments (cost $500,000)		**500,000**
Total Value of Securities 145.33% (cost $89,435,365)		**$ 92,822,932**

\# Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At Sept. 30, 2018, the aggregate value of Rule 144A securities was $3,194,857, which represents 5.00% of the Fund s net assets. See Note 5 in Notes to financial statements.

¤ Tax-exempt obligations that contain a floating or variable interest rate adjustment formula and an unconditional right of demand to receive payment of the unpaid principal balance plus accrued interest upon a short notice period (generally up to 30 days) prior to specified dates either from the issuer or by drawing on a bank letter of credit, a guarantee, or insurance issued with respect to such instrument. Each rate shown is as of Sept. 30, 2018.

§ Pre-refunded bonds. Municipal bonds that are generally backed or secured by US Treasury bonds. For pre-refunded bonds, the stated maturity is followed by the year in which the bond will be pre-refunded. See Note 5 in Notes to financial statements.

° Principal amount shown is stated in US Dollars unless noted that the security is denominated in another currency.
Variable rate investment. Rates reset periodically. Rate shown reflects the rate in effect at Sept. 30, 2018. For securities based on a published reference rate and spread, the reference rate and spread are indicated in their description above. The reference rate descriptions (i.e. LIBOR03M, LIBOR06M, etc.) used in this report are identical for different securities, but the underlying reference rates may differ due to the timing of the reset period. Certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and are based on current market conditions, or for mortgage-backed securities, are impacted by the individual mortgages which are paying off over time. These securities do not indicate a reference rate and

spread in their description above.

Summary of abbreviations:

AGM Insured by Assured Guaranty Municipal Corporation

AMT Subject to Alternative Minimum Tax

ICE Intercontinental Exchange

LIBOR London Interbank Offered Rate

LIBOR03M ICE LIBOR USD 3 Month

LIBOR06M ICE LIBOR USD 6 Month

LOC Letter of Credit

N.A. National Association

USD US Dollar

See accompanying notes, which are an integral part of the financial statements.

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Statements of assets and liabilities

Delaware Funds® by Macquarie Closed-End Municipal Bond Funds

September 30, 2018 (Unaudited)

	Delaware Investments Colorado Municipal Income Fund, Inc.	Delaware Investments Minnesota Municipal Income Fund II, Inc.	Delaware Investments National Municipal Income Fund
Assets:			
Investments, at value[1]	$ 99,387,795	$ 239,183,672	$ 92,822,932
Interest income receivable	1,435,439	3,161,250	1,329,902
Offering cost for preferred shareholders	76,901	95,247	83,536
Prepaid rating agency fee	2,083	1,167	6,250
Total assets	100,902,218	242,441,336	94,242,620
Liabilities:			
Cash due to custodian	293,051	580,893	286,324
Liquidation value of preferred stock	30,000,000	75,000,000	30,000,000
Investment management fees payable	33,140	78,050	30,961
Other accrued expenses	21,944	40,147	28,460
Audit and tax fees payable	21,041	21,041	20,970
Interest expense payable for leverage	2,211	5,527	2,211
Legal fees payable to affiliates	1,932	2,751	1,867
Accounting and administration expenses payable to affiliates	638	1,057	618
Directors /Trustees fees and expenses payable	179	410	162
Reports and statements to shareholders expenses payable to affiliates	50	116	46
Payable for securities purchased		4,866,395	
Total liabilities	30,374,186	80,596,387	30,371,619
Total Net Assets Applicable to Common Shareholders	$ 70,528,032	$ 161,844,949	$ 63,871,001
Net Assets Applicable to Common Shareholders Consist of:			
Paid-in capital ($0.001 par value)[2,3]	$ 66,918,121	$ 157,931,075	$ 60,209,588
Undistributed net investment income	222,379	606,702	318,776
Accumulated net realized loss on investments	(290,829)	(80,048)	(44,930)
Net unrealized appreciation of investments	3,678,361	3,387,220	3,387,567
Total Net Assets Applicable to Common Shareholders	$ 70,528,032	$ 161,844,949	$ 63,871,001

Net Asset Value per Common Share	$ 14.58	$ 14.07	$ 14.10
[1]Investments, at cost	95,709,434	235,796,452	89,435,365
[2]Common shares outstanding	4,837,100	11,504,975	4,528,443
[3]Common shares authorized	200 million	200 million	unlimited

See accompanying notes, which are an integral part of the financial statements.

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Statements of operations

Delaware Funds® by Macquarie Closed-End Municipal Bond Funds

Six months ended September 30, 2018 (Unaudited)

	Delaware Investments Colorado Municipal Income Fund, Inc.	Delaware Investments Minnesota Municipal Income Fund II, Inc.	Delaware Investments National Municipal Income Fund
Investment Income:			
Interest	$ 2,176,178	$ 4,472,965	$ 2,098,205
Expenses:			
Management fees	203,497	478,515	189,977
Interest expense	393,049	982,624	393,049
Rating agency fees	31,462	26,838	26,546
Accounting and administration expenses	23,525	35,668	22,928
Audit and tax fees	21,042	21,042	21,113
Dividend disbursing and transfer agent fees and expenses	17,286	36,303	17,736
Legal fees	14,389	26,350	15,286
Offering costs	9,017	12,119	10,455
Reports and statements to shareholders	6,451	18,096	9,550
Stock exchange fees	2,396	5,441	2,156
Directors /Trustees fees and expenses	1,663	3,803	1,506
Custodian fees	1,169	1,967	1,151
Registration fees	380	470	560
Other	6,549	10,128	9,622
	731,875	1,659,364	721,635
Less expense paid indirectly	(279)	(578)	(207)
Total operating expenses	731,596	1,658,786	721,428
Net Investment Income	1,444,582	2,814,179	1,376,777
Net Realized and Unrealized Gain (Loss):			
Net realized gain on investments	15,341	51,233	192,138
Net change in unrealized appreciation (depreciation) of investments	(1,409,936)	(2,624,704)	(1,262,925)
Net Realized and Unrealized Loss	(1,394,595)	(2,573,471)	(1,070,787)

Net Increase in Net Assets Resulting from Operations	$	49,987	$	240,708	$	305,990

See accompanying notes, which are an integral part of the financial statements.

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Statements of changes in net assets

Delaware Funds® by Macquarie Closed-End Municipal Bond Funds

	Delaware Investments Colorado Municipal Income Fund, Inc.	
	Six months ended 9/30/18 (Unaudited)	Year ended 3/31/18
Increase (Decrease) in Net Assets from Operations:		
Net investment income	$ 1,444,582	$ 3,029,327
Net realized gain	15,341	226,210
Net change in unrealized appreciation (depreciation)	(1,409,936)	(131,684)
Net increase in net assets resulting from operations	49,987	3,123,853
Dividends and Distributions to Common Shareholders from:		
Net investment income	(1,572,058)	(3,313,414)
	(1,572,058)	(3,313,414)
Net Decrease in Net Assets Applicable to Common Shareholders	(1,522,071)	(189,561)
Net Assets Applicable to Common Shareholders:		
Beginning of period	72,050,103	72,239,664
End of period	$ 70,528,032	$ 72,050,103
Undistributed net investment income	$ 222,379	$ 349,855

	Delaware Investments Minnesota Municipal Income Fund II, Inc.	
	Six months ended 9/30/18 (Unaudited)	Year ended 3/31/18
Increase (Decrease) in Net Assets from Operations:		
Net investment income	$ 2,814,179	$ 5,833,082
Net realized gain	51,233	671,697
Net change in unrealized appreciation (depreciation)	(2,624,704)	(1,968,736)

Net increase in net assets resulting from operations	240,708	4,536,043
Dividends and Distributions to Common Shareholders from:		
Net investment income	(2,588,619)	(6,097,637)
	(2,588,619)	(6,097,637)
Net Decrease in Net Assets Applicable to Common Shareholders	(2,347,911)	(1,561,594)
Net Assets Applicable to Common Shareholders:		
Beginning of period	164,192,860	165,754,454
End of period	$ 161,844,949	$ 164,192,860
Undistributed net investment income	$ 606,702	$ 381,142

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	Delaware Investments National Municipal Income Fund Six months ended 9/30/18 (Unaudited)	Year ended 3/31/18
Increase (Decrease) in Net Assets from Operations:		
Net investment income	$ 1,376,777	$ 2,877,111
Net realized gain	192,138	601,740
Net change in unrealized appreciation (depreciation)	(1,262,925)	(630,594)
Net increase in net assets resulting from operations	305,990	2,848,257
Dividends and Distributions to Common Shareholders from:		
Net investment income	(1,358,533)	(2,717,066)
	(1,358,533)	(2,717,066)
Net Increase (Decrease) in Net Assets Applicable to Common Shareholders	(1,052,543)	131,191
Net Assets Applicable to Common Shareholders:		
Beginning of period	64,923,544	64,792,353
End of period	$ 63,871,001	$ 64,923,544
Undistributed net investment income	$ 318,776	$ 300,532

See accompanying notes, which are an integral part of the financial statements.

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Statements of cash flows

Delaware Funds® by Macquarie Closed-End Municipal Bond Funds

Six months ended September 30, 2018 (Unaudited)

	Delaware Investments Colorado Municipal Income Fund, Inc.	Delaware Investments Minnesota Municipal Income Fund II, Inc.	Delaware Investments National Municipal Income Fund
Net Cash Provided by (Used for) Operating Activities:			
Net increase in net assets resulting from operations	$ 49,987	$ 240,708	$ 305,990
Adjustments to reconcile net increase in net assets from operations to cash provided by (used for) operating activities:			
Amortization of premium and accretion of discount on investments	232,723	1,072,696	235,118
Purchase of investment securities	(4,446,166)	(25,442,889)	(9,575,152)
Proceeds from disposition of investment securities	4,034,343	14,817,214	9,780,009
(Purchase) proceeds from disposition of short-term investment securities, net	225,000	2,900,000	(200,000)
Net realized gain on investments	(15,341)	(51,233)	(192,138)
Net change in net unrealized appreciation (depreciation)	1,409,936	2,624,704	1,262,925
Decrease in receivable for securities sold		1,464,263	
Increase (decrease) in interest receivable	12,301	44,283	(5,608)
Decrease in other accrued expenses receivable	24,000	18,500	19,083
Decrease in offering costs for preferred shareholders	16,480	20,457	17,917
Increase (decrease) in payable for securities purchased		4,866,395	(367,497)
Decrease in investment management fees payable	(1,504)	(3,127)	(1,256)
Decrease in Trustees fees and expenses payable	(246)	(558)	(221)
Increase in audit fees payable	16,318	16,318	16,390
Increase (decrease) in other affiliates payable	217	(651)	282
Decrease in other accrued expenses	(8,351)	(13,846)	(5,347)
Total Adjustments	1,499,710	2,332,526	984,505
Net cash provided by operating activities	1,549,697	2,573,234	1,290,495
Cash Flows Used for Financing Activities:			
Cash dividends and distributions paid to common shareholders	(1,569,847)	(2,583,092)	(1,356,322)
Increase in bank overdraft	20,150	9,858	65,827
Net cash used for financing activities	(1,549,697)	(2,573,234)	(1,290,495)

Net decrease in cash						
Cash at beginning of year						
Cash at end of year	$		$		$	
Cash paid for interest expense for leverage	$	393,049	$	982,624	$	393,049

See accompanying notes, which are an integral part of the financial statements.

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Financial highlights

Delaware Investments® Colorado Municipal Income Fund, Inc.

Selected data for each share of the Fund outstanding throughout each period were as follows:

	Six months ended 9/30/18[1] (Unaudited)	3/31/18	3/31/17	Year ended 3/31/16	3/31/15	3/31/14
Net asset value, beginning of period	$ 14.90	$ 14.93	$ 15.66	$ 15.55	$ 14.43	$ 15.37
Income (loss) from investment operations:						
Net investment income[2]	0.30	0.63	0.67	0.71	0.71	0.70
Net realized and unrealized gain (loss)	(0.29)	0.03	(0.68)	0.12	1.10	(0.93)
Total from investment operations	0.01	0.66	(0.01)	0.83	1.81	(0.23)
Less dividends and distributions to common shareholders from:						
Net investment income	(0.33)	(0.69)	(0.72)	(0.72)	(0.69)	(0.69)
Net realized gain						(0.02)
Total dividends and distributions	(0.33)	(0.69)	(0.72)	(0.72)	(0.69)	(0.71)
Net asset value, end of period	$ 14.58	$ 14.90	$ 14.93	$ 15.66	$ 15.55	$ 14.43
Market value, end of period	$ 14.35	$ 14.39	$ 14.70	$ 15.07	$ 14.35	$ 13.33
Total investment return based on:[3]						
Market value	1.97%	2.44%	2.24%	10.38%	13.01%	(5.25%)
Net asset value	0.06%	4.44%	(0.07%)	5.85%	13.12%	(0.97%)
Ratios and supplemental data:						
Net assets applicable to common shares, end of period (000 omitted)	$ 70,528	$ 72,050	$ 72,240	$ 75,771	$ 75,226	$ 69,781

Ratio of expenses to average net assets applicable to common shareholders[4]	2.04%	1.82%	1.60%	1.52%	1.43%	1.49%
Ratio of net investment income to average net assets applicable to common shareholders[5]	4.03%	4.14%	4.32%	4.59%	4.65%	4.90%
Portfolio turnover	3%	11%	12%	13%	14%	26%
Leverage analysis:						
Value of preferred shares outstanding (000 omitted)[6]	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000
Net asset coverage per share of preferred shares, end of period[6]	$ 335,093	$ 340,167	$ 340,799	$ 352,571	$ 350,753	$ 332,602
Liquidation value per share of preferred shares[6]	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000

1 Ratios have been annualized and total return and portfolio turnover have not been annualized.

2 Net investment income is reduced by dividends paid to preferred shareholders from net investment income of $0.081, $0.135, $0.110, $0.079, $0.077, and $0.078 per share for the six months ended Sept. 30, 2018 and the years ended March 31, 2018, 2017, 2016, 2015, and 2014, respectively, and from realized capital gains of $0.002 per share for the year ended March 31, 2014.

3 Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund s dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.

4 The ratio of expenses to average net assets applicable to common shareholders excluding interest expense for the six months ended Sept. 30, 2018 and the years ended March 31, 2018, 2017, 2016, 2015, and 2014 were 0.94%, 0.93%, 0.90%, 1.01%, 0.92%, and 0.94%, respectively.

5 The ratio of net investment income excluding interest expense to average net assets for the six months ended Sept. 30, 2018 and the years ended March 31, 2018, 2017, 2016, 2015, and 2014 were 5.13%, 5.03%, 5.11%, 5.16%, and 5.45% respectively.

6 In November 2011, the Fund issued a series of 300 variable rate preferred shares, with a liquidation preference of $100,000 per share (Series 2016 Shares). The Series 2016 Shares were redeemed on Feb. 2, 2016 and replaced with Series 2021 Shares, which are the same amount and value as the Fund s Series 2016 Shares.

See accompanying notes, which are an integral part of the financial statements.

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Financial highlights

Delaware Investments® Minnesota Municipal Income Fund II, Inc.

Selected data for each share of the Fund outstanding throughout each period were as follows:

	Six months ended 9/30/18[1] (Unaudited)	3/31/18	3/31/17	Year ended 3/31/16	3/31/15	3/31/14
Net asset value, beginning of period	$ 14.27	$ 14.41	$ 15.05	$ 14.97	$ 14.31	$ 15.27
Income (loss) from investment operations:						
Net investment income[2]	0.25	0.51	0.55	0.63	0.64	0.65
Net realized and unrealized gain (loss)	(0.22)	(0.12)	(0.59)	0.08	0.69	(0.80)
Total from investment operations	0.03	0.39	(0.04)	0.71	1.33	(0.15)
Less dividends and distributions to common shareholders from:						
Net investment income	(0.23)	(0.53)	(0.60)	(0.63)	(0.67)	(0.69)
Net realized gain						(0.12)
Total dividends and distributions	(0.23)	(0.53)	(0.60)	(0.63)	(0.67)	(0.81)
Net asset value, end of period	$ 14.07	$ 14.27	$ 14.41	$ 15.05	$ 14.97	$ 14.31
Market value, end of period	$ 11.90	$ 12.63	$ 14.56	$ 14.70	$ 13.85	$ 13.34
Total investment return based on:[3]						
Market value	(4.06%)	(9.94%)	3.16%	11.17%	8.97%	(9.26%)
Net asset value	0.40%	2.82%	(0.27%)	5.30%	9.80%	(0.36%)
Ratios and supplemental data:						
Net assets applicable to common shares, end of period (000 omitted)	$ 161,845	$ 164,193	$ 165,754	$ 173,119	$ 172,280	$ 164,599
Ratio of expenses to average net assets applicable to common shareholders[4]	2.02%	1.78%	1.59%	1.46%	1.40%	1.51%
Ratio of net investment income to average net assets applicable to common shareholders[5]	3.43%	3.48%	3.69%	4.24%	4.33%	4.54%
Portfolio turnover	6%	22%	9%	16%	10%	17%

Leverage analysis:

Value of preferred shares outstanding (000 omitted)[6]	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Net asset coverage per share of preferred shares, end of period[6]	$ 315,793	$ 318,924	$ 321,006	$ 330,825	$ 329,707	$ 319,465
Liquidation value per share of preferred shares[6]	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000

1 Ratios have been annualized and total return and portfolio turnover have not been annualized.

2 Net investment income is reduced by dividends paid to preferred shareholders from net investment income of $0.085, $0.142, $0.115, $0.083, $0.081 and $0.076 per share for six months ended Sept. 30, 2018 and the years ended March 31, 2018, 2017, 2016, 2015, and 2014, respectively, and from realized capital gains of $0.014 per share for the year ended March 31, 2014.

3 Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund s dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.

4 The ratio of expenses to average net assets applicable to common shareholders excluding interest expense for the six months ended Sept. 30, 2018 and the years ended March 31, 2018, 2017, 2016, 2015, and 2014 were 0.82%, 0.81%, 0.82%, 0.90%, 0.85%, and 0.88%, respectively.

5 The ratio of net investment income excluding interest expense to average net assets for the six months ended Sept. 30, 2018 and the years ended March 31, 2018, 2017, 2016, 2015, and 2014 were 4.63%, 4.45%, 4.46%, 4.80%, 4.88%, and 5.17%, respectively.

6 In November 2011, the Fund issued a series of 750 variable rate preferred shares, with a liquidation preference of $100,000 per share (Series 2016 Shares). The Series 2016 Shares were redeemed on Feb. 2, 2016 and replaced with Series 2021 Shares, which are the same amount and value as the Fund s Series 2016 Shares.

See accompanying notes, which are an integral part of the financial statements.

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Delaware Investments® National Municipal Income Fund

Selected data for each share of the Fund outstanding throughout each period were as follows:

	Six months ended 9/30/18[1] (Unaudited)	3/31/18	3/31/17	Year ended 3/31/16	3/31/15	3/31/14
Net asset value, beginning of period	$ 14.34	$ 14.31	$ 15.02	$ 14.97	$ 13.81	$ 14.99
Income (loss) from investment operations:						
Net investment income[2]	0.30	0.64	0.66	0.70	0.71	0.71
Net realized and unrealized gain (loss)	(0.24)	(0.01)	(0.69)	0.11	1.22	(1.18)
Total from investment operations	0.06	0.63	(0.03)	0.81	1.93	(0.47)
Less dividends and distributions to common shareholders from:						
Net investment income	(0.30)	(0.60)	(0.68)	(0.76)	(0.77)	(0.71)
Total dividends and distributions	(0.30)	(0.60)	(0.68)	(0.76)	(0.77)	(0.71)
Net asset value, end of period	$ 14.10	$ 14.34	$ 14.31	$ 15.02	$ 14.97	$ 13.81
Market value, end of period	$ 12.12	$ 12.62	$ 12.94	$ 13.80	$ 13.14	$ 12.35
Total investment return based on:[3]						
Market value	(1.62%)	2.04%	(1.50%)	11.32%	12.87%	(9.65%)
Net asset value	0.72%	4.84%	0.01%	6.35%	14.99%	(2.41%)
Ratios and supplemental data:						
	$ 63,871	$ 64,924	$ 64,792	$ 68,008	$ 67,804	$ 62,526

Net assets applicable to common shares, end of period (000 omitted)						
Ratio of expenses to average net assets applicable to common shareholders[4]	2.22%	1.97%	1.73%	1.70%	1.60%	1.58%
Ratio of net investment income to average net assets applicable to common shareholders[5]	4.24%	4.36%	4.45%	4.72%	4.86%	5.17%
Portfolio turnover	10%	50%	13%	25%	38%	40%
Leverage analysis:						
Value of preferred shares outstanding (000 omitted)[6]	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000
Net asset coverage per share of preferred shares, end of period[6]	$ 312,903	$ 316,412	$ 315,898	$ 326,693	$ 326,013	$ 308,420
Liquidation value per share of preferred shares[6]	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000

1 Ratios have been annualized and total return and portfolio turnover have not been annualized.

2 Net investment income is reduced by dividends paid to preferred shareholders from net investment income of $0.087, $0.144, $0.117, $0.084, $0.083, and $0.085 per share for the six months ended Sept. 30, 2018 and the years ended March 31, 2018, 2017, 2016, 2015, and 2014, respectively.

3 Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund s dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.

4 The ratio of expenses to average net assets applicable to common shareholders excluding interest expense for the six months ended Sept. 30, 2018 and the years ended March 31, 2018, 2017, 2016, 2015 and 2014 were 1.01%, 0.98%, 0.94%, 1.13%, 1.03%, and 0.96%, respectively.

5 The ratio of net investment income excluding interest expense to average net assets for the six months ended Sept. 30, 2018 and the years ended March 31, 2018, 2017, 2016, 2015, and 2014 were 5.45% 5.35%, 5.24%, 5.29%, 5.44%, and 5.79%, respectively.

6 In March 2012, the Fund issued a series of 300 variable rate preferred shares, with a liquidation preference of $100,000 per share (Series 2017 Shares). The Series 2017 Shares were redeemed on Feb. 2, 2016 and replaced with Series 2021 Shares, which are the same amount and value as the Fund s Series 2017 Shares.

See accompanying notes, which are an integral part of the financial statements.

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Notes to financial statements

Delaware Funds® by Macquarie Closed-End Municipal Bond Funds

September 30, 2018 (Unaudited)

Delaware Investments Colorado Municipal Income Fund, Inc. (Colorado Municipal Fund) and Delaware Investments Minnesota Municipal Income Fund II, Inc. (Minnesota Municipal Fund II) are organized as Minnesota corporations and Delaware Investments National Municipal Income Fund (National Municipal Fund) is organized as a Massachusetts business trust (each referred to as a Fund and collectively as the Funds). Colorado Municipal Fund, Minnesota Municipal Fund II, and National Municipal Fund are considered diversified closed-end management investment companies under the Investment Company Act of 1940, as amended. The Funds shares trade on the NYSE American, the successor to the American Stock Exchange, formerly known as NYSE Market.

The investment objective of each of Colorado Municipal Fund and Minnesota Municipal Fund II is to provide current income exempt from federal income tax and from state personal income tax, if any, consistent with the preservation of capital. The investment objective of National Municipal Fund is to provide current income exempt from federal income tax, consistent with the preservation of capital. Each of Colorado Municipal Fund and Minnesota Municipal Fund II seeks to achieve its investment objective by investing substantially all of its net assets in investment grade, tax-exempt municipal obligations of its respective state at the time of investment. National Municipal Fund seeks to achieve its investment objective by investing at least 80% of its net assets in securities the income from which is exempt from federal income tax.

1. Significant Accounting Policies

The following accounting policies are in accordance with US generally accepted accounting principles (US GAAP) and are consistently followed by the Funds. Each Fund is an investment company and follows accounting and reporting guidance under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946, Financial Services Investment Companies.

Security Valuation Debt securities are valued based upon valuations provided by an independent pricing service or broker and reviewed by management. To the extent current market prices are not available, the pricing service may take into account developments related to the specific security, as well as transactions in comparable securities. Valuations for fixed income securities utilize matrix systems, which reflect such factors as security prices, yields, maturities, and ratings, and are supplemented by dealer and exchange quotations. Generally, other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of each Fund s Board of Directors/Trustees (each a Board, or collectively, the Boards). In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures or suspension of trading in a security. Restricted securities are valued at fair value using methods approved by the Boards.

Federal Income Taxes No provision for federal income taxes has been made as each Fund intends to continue to qualify for federal income tax purposes as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and make the requisite distributions to shareholders. The Funds evaluate tax positions taken or expected to be taken in the course of preparing each Fund s tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. Management has analyzed each Fund s tax positions taken or expected to be taken on each Fund s federal income tax returns through the six months ended Sept. 30, 2018 and for all open tax years (years ended March 31, 2015 March 31, 2018), and has concluded that no provision for federal income tax is required in each Fund s financial statements. If applicable, each Fund recognizes interest accrued on unrecognized tax benefits in interest expense and penalties in other expenses on the Statements of operations. During the six months ended Sept. 30, 2018, the Funds did not incur any interest or tax penalties.

Cash and Cash Equivalents Cash and cash equivalents include deposits held at financial institutions, which are available for each Fund s use with no restrictions, with original maturities of 90 days or less.

Use of Estimates Each Fund is an investment company, whose financial statements are prepared in conformity with US GAAP. Therefore, each Fund follows the accounting and reporting guidelines for investment companies. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the fair value of investments, the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

Other Expenses directly attributable to each Fund are charged directly to the Fund. Other expenses common to various funds within the Delaware Funds® by Macquarie (Delaware Funds) are generally allocated among such funds on the basis of average net assets. Management fees and certain other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date) for financial reporting purposes. Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Interest income is recorded on the accrual basis. Discounts and premiums on debt securities are accreted or amortized to

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interest income, respectively, over the lives of the respective securities using the effective interest method. Each Fund declares and pays dividends from net investment income monthly and distributions from net realized gain on investments, if any, annually. Each Fund may distribute more frequently, if necessary for tax purposes. Dividends and distributions, if any, are recorded on the ex-dividend date.

Each Fund receives earnings credits from its custodian when positive cash balances are maintained, which may be used to offset custody fees. The expense paid under this arrangement is included on the Statements of operations under Custodian fees with the corresponding expense offset included under Less expense paid indirectly. For the six months ended Sept. 30, 2018, each Fund earned the following amounts under this arrangement:

	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
	$279	$578	$207

2. Investment Management, Administration Agreements and Other Transactions with Affiliates

In accordance with the terms of its respective investment management agreement, each Fund pays Delaware Management Company (DMC), a series of Macquarie Investment Management Business Trust and the investment manager, an annual fee of 0.40% which is calculated based on each Fund s adjusted average daily net assets.

Delaware Investments Fund Services Company (DIFSC), an affiliate of DMC, provides fund accounting and financial administration oversight services to each Fund. For these services, DIFSC s fees are calculated daily and paid monthly based on the aggregate daily net assets of all funds within the Delaware Funds at the following annual rate: 0.00475% of the first $35 billion; 0.0040% of the next $10 billion; and 0.0025% of aggregate average daily net assets in excess of $45 billion (Total Fee). Each Fund in the Delaware Funds pays a minimum of $4,000, which, in aggregate, is subtracted from the Total Fee. Each Fund then pays its portion of the remainder of the Total Fee on a relative net asset value (NAV) basis. These amounts are included on the Statements of operations under Accounting and administration expenses. For the six months ended Sept. 30, 2018, the Funds were charged for these services as follows:

	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
	$3,917	$6,501	$3,790

As provided in the investment management agreement, each Fund bears a portion of the cost of certain resources shared with DMC, including the cost of internal personnel of DMC and/or its affiliates that provide legal, tax, and regulatory reporting services to each Fund. These amounts are included on the Statements of operations under Legal fees.   For the six months ended Sept. 30, 2018, each Fund was charged for internal legal, tax, and regulatory reporting services provided by DMC and/or its affiliates   employees as follows:

	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
	$11,906	$20,547	$13,548

Directors /Trustees   fees include expenses accrued by each Fund for each Director s/Trustee s retainer and meeting fees. Certain officers of DMC and DIFSC are officers and/or Directors/Trustees of the Funds. These officers and Directors/Trustees are paid no compensation by the Funds.

Cross trades for the six months ended Sept. 30, 2018, were executed by the Funds pursuant to procedures adopted by the Boards designed to ensure compliance with Rule 17a-7 under the 1940 Act. Cross trading is the buying or selling of portfolio securities between funds of investment companies, or between a fund of an investment company and another entity, that are or could be considered affiliates by virtue of having a common investment advisor (or affiliated investment advisors), common directors/trustees and/or common officers. At their regularly scheduled meetings, the Boards review such transactions for compliance with the procedures adopted by the Boards.

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Notes to financial statements

Delaware Funds® by Macquarie Closed-End Municipal Bond Funds

2. Investment Management, Administration Agreements and Other Transactions with Affiliates (continued)

Pursuant to these procedures, for the six months ended Sept. 30, 2018, the Funds engaged in Rule 17a-7 securities purchases and securities sales, which resulted in net realized gains or losses as follows:

	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
Purchases	$ 900,540	$ 9,462,302	$ 450,105
Sales	1,350,478	7,896,138	2,925,692
Net realized loss		(46,360)	

3. Investments

For the six months ended Sept. 30, 2018, each Fund made purchases and sales of investment securities other than short-term investments as follows:

	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
Purchases	$ 4,446,166	$ 25,442,889	$ 9,575,152
Sales	4,034,343	14,817,214	9,780,009

At Sept. 30, 2018, the cost and unrealized appreciation (depreciation) of investments for federal income tax purposes has been estimated since the final tax characteristics cannot be determined until fiscal year end. At Sept. 30, 2018, the cost and unrealized appreciation (depreciation) of investments for each Fund were as follows:

	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
Cost of investments	$ 95,700,477	$ 235,777,362	$ 89,423,748
Aggregate unrealized appreciation of investments	$ 3,964,457	$ 5,332,379	$ 3,802,341
Aggregate unrealized depreciation of investments	(277,139)	(1,926,069)	(403,157)

Net unrealized appreciation of investments	$ 3,687,318	$ 3,406,310	$ 3,399,184

Under the Regulated Investment Company Modernization Act of 2010 (Act), net capital losses recognized for tax years beginning after Dec. 22, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

At March 31, 2018, capital loss carryforwards available to offset future realized capital gains were as follows:

	No expiration		
	Post-enactment capital loss character		
	Short-term	**Long-term**	**Total**
Colorado Municipal Fund	$ 216,338	$ 97,920	$ 314,258
Minnesota Municipal Fund II	105,394		105,394
National Municipal Fund	233,278		233,278

US GAAP defines fair value as the price that each Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. A three-level hierarchy for fair value measurements has been established based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity s own assumptions about the assumptions that market participants would use in pricing the

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asset or liability based on the best information available under the circumstances. Each Fund s investment in its entirety is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-level hierarchy of inputs is summarized below.

Level 1	Inputs are quoted prices in active markets for identical investments. (Examples: equity securities, open-end investment companies, futures contracts, exchange-traded options contracts)
Level 2	Other observable inputs, including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates) or other market-corroborated inputs. (Examples: debt securities, government securities, swap contracts, foreign currency exchange contracts, foreign securities utilizing international fair value pricing, broker-quoted securities, fair valued securities)
Level 3	Significant unobservable inputs, including each Fund s own assumptions used to determine the fair value of investments. (Examples: broker-quoted securities, fair valued securities)

Level 3 investments are valued using significant unobservable inputs. Each Fund may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Valuations may also be based upon current market prices of securities that are comparable in coupon, rating, maturity, and industry. The derived value of a Level 3 investment may not represent the value which is received upon disposition and this could impact the results of operations.

The following tables summarize the valuation of each Fund s investments by fair value hierarchy levels as of Sept. 30, 2018:

Securities	Colorado Municipal Fund Level 2
Assets:	
Municipal Bonds	$ 99,112,795
Short-Term Investments	275,000
Total Value of Securities	$ 99,387,795

Securities	Minnesota Municipal Fund II Level 2
Assets:	
Municipal Bonds	$ 239,083,672
Short-Term Investments	100,000
Total Value of Securities	$ 239,183,672

Securities	National Municipal Fund Level 2
Assets:	
Municipal Bonds	$ 92,322,932
Short-Term Investments	500,000
Total Value of Securities	$ 92,822,932

During the six months ended Sept. 30, 2018, there were no transfers between Level 1 investments, Level 2 investments, or Level 3 investments. The Funds policy is to recognize transfers between levels based on fair value at the beginning of the reporting period.

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4. Capital Stock

Pursuant to their articles of incorporation, Colorado Municipal Fund and Minnesota Municipal Fund II each have 200 million shares of $0.01 par value common shares authorized. National Municipal Fund has been authorized to issue an unlimited amount of $0.01 par value common shares. Shares issuable under each Fund s dividend reinvestment plan are purchased by each Fund s transfer agent, Computershare, Inc., in the open market. During the six months ended Sept. 30, 2018 and the year ended March 31, 2018, the Funds did not issue any shares under their dividend reinvestment plan.

On Jan. 22, 2016, Colorado Municipal Fund, Minnesota Municipal Fund II, and National Municipal Fund successfully issued $30,000,000, $75,000,000 and $30,000,000, respectively, of Variable Rate MuniFund Term Preferred (VMTP) Shares with a $100,000 liquidation value per share in a privately negotiated offering. The net proceeds from each offering were used to redeem the Series 2016 (in the case of Colorado Municipal Fund and Minnesota Municipal Fund II) and Series 2017 (in the case of National Municipal Fund) VMTP Shares previously outstanding. The VMTP Shares were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. Each Fund s Series 2016 and Series 2017 VMTP Shares were the same amount and value as the respective Fund s Series 2021 VMTP Shares.

Each of the Funds is obligated to redeem its VMTP Shares on Feb. 1, 2021, unless earlier redeemed or repurchased by a Fund. VMTP Shares are subject to optional and mandatory redemption in certain circumstances. VMTP Shares are redeemable at par. A Fund may be obligated to redeem certain of the VMTP Shares if the Fund fails to maintain certain asset coverage and leverage ratio requirements and such failures are not cured by the applicable cure date. The redemption price per share is equal to the sum of the liquidation value per share plus any accumulated but unpaid dividends. Dividends on VMTP shares are set weekly, and are based on a short-term index rate plus an additional spread that is subject to adjustment in certain circumstances, including a change in the credit rating assigned to the VMTP Shares by Fitch Ratings (Fitch) and Moody s Investors Service (Moody s).

The weighted average dividend rates for the six months ended Sept. 30, 2018 were as follows:

	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
	2.6%	2.6%	2.6%

The Funds use leverage because their managers believe that, over time, leveraging may provide opportunities for additional income and total return for common shareholders. However, the use of leverage also can expose common shareholders to additional volatility. For example, as the prices of securities held by a Fund decline, the negative impact of these valuation changes on common share net asset value and common shareholder total return is magnified by the use of leverage; accordingly, the use of structural leverage may hurt a Fund s overall performance.

Leverage may also cause the Funds to incur certain costs. In the event that a Fund is unable to meet certain criteria (including, but not limited to, maintaining certain ratings with Fitch and Moody s, funding dividend payments, or funding redemptions), that Fund will pay additional fees with respect to the leverage.

For financial reporting purposes, the VMTP Shares are considered debt of the issuer; therefore, the liquidation value which approximates fair value of the VMTP Shares is recorded as a liability in the statements of assets and liabilities. Dividends accrued and paid on the VMTP Shares are included as a component of interest expense in the statements of operations. The VMTP Shares are treated as equity for legal and tax purposes. Dividends paid to holders of the VMTP Shares are generally classified as tax-exempt income for tax-reporting purposes.

Offering costs for VMTP Shares are recorded as a deferred charge and amortized over the 5-year life of the VMTP Shares. These are presented as Offering cost for preferred shareholders on the Statements of assets and liabilities and Offering costs on the Statements of operations.

5. Geographic, Credit, and Market Risk

The Funds concentrate their investments in securities issued by municipalities. Because each of the Colorado Municipal Fund and the Minnesota Municipal Fund II invests substantially all of its net assets in municipal obligations of its respective state at the time of investment, events in that state may have a significant impact on the performance and investments of the Colorado Municipal Fund and the Minnesota Municipal Fund II. These events may include economic or political policy changes, tax base erosion, state constitutional limits on tax increases, budget deficits and other financial difficulties, changes in the credit ratings assigned to the state s municipal issuers, the effects of natural or human-made disasters, or other economic, legislative, or political or social issues. Any downgrade to the credit rating of the securities issued by the US government may result in a downgrade of securities issued by the states or US territories. The National Municipal Fund will be subject to these

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risks as well but to a lesser extent because it invests at least 80% of its net assets in securities, the income from which is exempt from federal income tax and is not limited to investing substantially all of its assets in municipal obligations of a single state. From time to time and consistent with its investment policies, the National Municipal Fund may invest a considerable portion of its assets in certain municipalities. As of Sept. 30, 2018, the National Municipal Fund has invested 20.41%, 19.71%, 19.60%, 10.61% and 10.19% (each as a percentage of net assets) in securities issued by the Commonwealth of Pennsylvania, the State of California, the State of New York, the State of Texas, and the State of Illinois, respectively. These investments could make the National Municipal Fund more sensitive to economic conditions in those states than other more geographically diversified national municipal income funds.

Each Fund may invest a percentage of assets in obligations of governments of US territories, commonwealths, and possessions such as Puerto Rico, the US Virgin Islands, or Guam. To the extent a Fund invests in such obligations, that Fund may be adversely affected by local political and economic conditions and developments within these US territories, commonwealths, and possessions.

From time to time, a fund may invest in industrial development bonds (IDBs) or pollution control revenue (PCR) bonds that are issued by a conduit authority on behalf of a corporation that is either foreign owned or has international affiliates or operations. While the bonds may be issued to finance a facility located in the United States, the bonds may be secured by a payment obligation or guaranty of the corporation. To the extent the Fund invests in such securities, that Fund may be exposed to risks associated with international investments. The risk of international investments not ordinarily associated with US investments includes fluctuation in currency values, differences in accounting principles, and/or economic or political instability in other nations.

Many municipalities insure repayment for their obligations. Although bond insurance may reduce the risk of loss due to default by an issuer, such bonds remain subject to the risk that market value may fluctuate for other reasons, and there is no assurance that the insurance company will meet its obligations. A real or perceived decline in creditworthiness of a bond insurer can have an adverse impact on the value of insured bonds held in each Fund. At Sept. 30, 2018, the percentages of each Fund s net assets insured by insurers are listed below and these securities have been identified on the Schedules of investments.

	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Income Fund
Assured Guaranty Corporation	1.70%	2.15%	
Assured Guaranty Municipal Corporation	7.81%	0.38%	1.59%
Build America Mutual Assurance Company	1.60%		
Syncora Guarantee	2.44%		
Total	13.55%	2.53%	1.59%

Each Fund invests a portion of its assets in high yield fixed income securities, which are securities rated BB or lower by Standard & Poor s (S&P) and/or Ba or lower by Moody s, or similarly rated by another nationally recognized statistical rating organization. Investments in these higher yielding securities are generally accompanied by a greater degree of credit risk than higher rated securities. Additionally, lower rated securities may be more susceptible to adverse economic and competitive industry conditions than investment grade securities.

The Funds may invest in advanced refunded bonds, escrow secured bonds, or defeased bonds. Under current federal tax laws and regulations, state and local government borrowers are permitted to refinance outstanding bonds by issuing new bonds. The issuer refinances the outstanding debt to either reduce interest costs or to remove or alter restrictive covenants imposed by the bonds being refinanced. A refunding transaction where the municipal securities are being refunded within 90 days from the issuance of the refunding issue is known as a current refunding. Advance refunded bonds are bonds in which the refunded bond issue remains outstanding for more than 90 days following the issuance of the refunding issue. In an advance refunding, the issuer will use the proceeds of a new bond issue to purchase high-grade interest-bearing debt securities which are then deposited in an irrevocable escrow account held by an escrow agent to secure all future payments of principal and interest and bond premium of the advance refunded bond. Bonds are escrowed to maturity when the proceeds of the refunding issue are deposited in an escrow account for investment sufficient to pay all of the principal and interest on the original interest payment and maturity dates.

Bonds are considered pre-refunded when the refunding issue s proceeds are escrowed only until a permitted call date or dates on the refunded issue with the refunded issue being redeemed at the time, including any required premium. Bonds become defeased when the rights and interests of the bondholders and of their lien on the pledged revenues or other security under the terms of the bond contract are substituted with an alternative source of revenues (the escrow securities) sufficient to meet payments of principal and interest to maturity or to

(continues)

5. Geographic, Credit, and Market Risk (continued)

the first call dates. Escrowed secured bonds will often receive a rating of AAA from Moody s, S&P, and/or Fitch Ratings due to the strong credit quality of the escrow securities and the irrevocable nature of the escrow deposit agreement.

To the extent that the Funds invest in securities with longer duration, they may be more sensitive to fluctuation of interest rates.

Each Fund invests in certain obligations that may have liquidity protection designed to ensure that the receipt of payments due on the underlying security is timely. Such protection may be provided through guarantees, insurance policies, or letters of credit obtained by the issuer or sponsor from third parties, through various means of structuring the transaction, or through a combination of such approaches. The Funds will not pay any additional fees for such credit support, although the existence of credit support may increase the price of a security.

Each Fund may invest up to 15% of its net assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A promulgated under the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The relative illiquidity of these securities may impair each Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so. While maintaining oversight, the Boards have delegated to DMC the day-to-day functions of determining whether individual securities are liquid for purposes of each Fund s limitation on investments in illiquid securities. Securities eligible for resale pursuant to Rule 144A, which are determined to be liquid, are not subject to each Fund s 15% limit on investments in illiquid securities. Rule 144A securities held by each Fund have been identified on the Schedules of investments. Restricted securities are valued pursuant to the security valuation procedures noted in Note 1.

6. Contractual Obligations

Each Fund enters into contracts in the normal course of business that contain a variety of indemnifications. Each Fund s maximum exposure under these arrangements is unknown. However, the Funds have not had prior claims or losses pursuant to these contracts. Management has reviewed each Fund s existing contracts and expects the risk of loss to be remote.

7. Recent Accounting Pronouncements

In March 2017, the FASB issued an Accounting Standards Update, ASU 2017-08, Receivables Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities which amends the amortization period for certain purchased callable debt securities held at a premium, shortening such period to the earliest call date. The ASU 2017-08 does not require any accounting change for debt securities held at a discount; the discount continues to be amortized to maturity. The ASU 2017-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2018. At this time, management is evaluating the implications of these changes on the financial statements.

In August 2018, the FASB issued an Accounting Standards Update, ASU 2018-13, which changes certain fair value measurement disclosure requirements. The ASU 2018-13, in addition to other modifications and additions, removes the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for the timing of transfers between levels and the valuation process for Level 3 fair value measurements. The ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2019. At this time, management is evaluating the implications of these changes on the financial statements.

8. Subsequent Events

Management has determined that no material events or transactions occurred subsequent to Sept. 30, 2018, that would require recognition or disclosure in the Funds financial statements.

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Other Fund information

(Unaudited)

Delaware Funds® by Macquarie Closed-End Municipal Bond Funds

Fund management

Joseph R. Baxter

Senior Vice President, Head of Municipal Bonds, Senior Portfolio Manager

Joseph R. Baxter is head of municipal bonds in the Americas and is responsible for setting the department s investment strategy. He is also a co-portfolio manager of the firm s municipal bond funds and several client accounts. Before joining Macquarie Investment Management (MIM) in 1999 as head municipal bond trader, he held investment positions with First Union, most recently as a municipal portfolio manager with the Evergreen Funds. Baxter received a bachelor s degree in finance and marketing from La Salle University.

Stephen J. Czepiel

Senior Vice President, Senior Portfolio Manager

Stephen J. Czepiel is a member of the firm s municipal fixed income portfolio management team with primary responsibility for portfolio construction and strategic asset allocation. He is a co-portfolio manager of the firm s municipal bond funds and client accounts. He joined Macquarie Investment Management (MIM) in July 2004 as a senior bond trader. Previously, he was vice president at both Mesirow Financial and Loop Capital Markets. He began his career in the securities industry in 1982 as a municipal bond trader at Kidder Peabody and now has more than 20 years of experience in the municipal securities industry. Czepiel earned his bachelor s degree in finance and economics from Duquesne University.

Denise A. Franchetti, CFA

Senior Vice President, Co-Head of Municipal Credit Research, Portfolio Manager

Denise A. Franchetti is co-head of the company s municipal research operations, a role she assumed in January 2018. Previously, she was a senior municipal analyst for the municipal bond department, responsible for following the airport, education, hotel, cogeneration, and cargo sectors. In 2003, she was also named as portfolio manager on the tax-exempt closed-end funds in addition to her research duties. Prior to joining Macquarie Investment Management (MIM) in 1997 as a municipal bond analyst, she was a fixed income trader at Provident Mutual Life Insurance and an investment analyst at General Accident Insurance. Franchetti received her bachelor s degree and an MBA from La Salle University. She is a member of the CFA Institute, the Financial Analysts of Philadelphia, and the National Federation of Municipal Analysts.

Gregory A. Gizzi

Senior Vice President, Senior Portfolio Manager

Gregory A. Gizzi is a member of the firm s municipal fixed income portfolio management team. He is also a co-portfolio manager of the firm s municipal bond funds and several client accounts. Before joining Macquarie Investment Management (MIM) in January 2008 as head of municipal bond trading, he spent six years as a vice president at Lehman Brothers for the firm s tax-exempt institutional sales effort. Prior to that, he spent two years trading corporate bonds for UBS before joining Lehman Brothers in a sales capacity. Gizzi has more than 20 years of trading experience in the municipal securities industry, beginning at Kidder Peabody in 1984, where he started as a municipal bond trader and worked his way up to institutional block trading desk manager. He later worked in the same capacity at Dillon Read. Gizzi earned his bachelor s degree in economics from Harvard University.

Board Consideration of advisory agreements for Delaware Investments® Colorado Municipal Income Fund, Inc.; Delaware Investments Minnesota Municipal Income Fund II, Inc.; and Delaware Investments National Municipal Income Fund

At a meeting held on Aug. 15-16, 2018 (the Annual Meeting), the Board of Trustees (the Board), including a majority of disinterested or independent Trustees, approved the renewal of the Investment Advisory Agreements for Delaware Investments Colorado Municipal Income Fund, Inc.; Delaware Investments Minnesota Municipal Income Fund II, Inc.; and Delaware Investments National Municipal Income Fund (each, a Fund and together, the Funds). In making its decision, the Board considered information furnished at regular quarterly Board meetings, including reports detailing Fund performance, investment strategies, and expenses, as well as information prepared specifically in connection with the renewal of the investment advisory contracts. Information furnished specifically in connection with the renewal of the Investment Management Agreements with Delaware Management Company (DMC), a series of Macquarie Investment Management Business Trust (MIMBT) included materials provided by DMC and its affiliates (collectively, Macquarie Investment Management) concerning, among other

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Board Consideration of advisory agreements for Delaware Investments® Colorado Municipal Income Fund, Inc.; Delaware Investments Minnesota Municipal Income Fund II, Inc.; and Delaware Investments National Municipal Income Fund (continued)

things, the nature, extent, and quality of services provided to the Funds; the costs of such services to the Funds; economies of scale; and the investment manager s financial condition and profitability. In addition, in connection with the Annual Meeting, materials were provided to the Trustees in May 2018, including reports provided by Broadridge Financial Solutions (Broadridge). The Broadridge reports compared each Fund s investment performance and expenses with those of other comparable mutual funds. The Independent Trustees reviewed and discussed the Broadridge reports with independent legal counsel to the Independent Trustees. In addition to the information noted above, the Board also requested and received information regarding DMC s policy with respect to advisory fee levels and its breakpoint philosophy; the structure of portfolio manager compensation; comparative client fee information; and any constraints or limitations on the availability of securities for certain investment styles, which had in the past year inhibited, or which were likely in the future to inhibit, the investment manager s ability to invest fully in accordance with Fund policies.

In considering information relating to the approval of each Fund s advisory agreement, the Independent Trustees received assistance and advice from and met separately with independent legal counsel to the Independent Trustees and also from an experienced and knowledgeable independent fund consultant, JDL Consultants, LLC (JDL). Although the Board gave attention to all information furnished, the following discussion identifies, under separate headings, the primary factors taken into account by the Board during its contract renewal considerations.

Nature, extent, and quality of services. The Board considered the services provided by DMC to the Funds and their shareholders. In reviewing the nature, extent, and quality of services, the Board considered reports furnished to it throughout the year, which covered matters such as the relative performance of the Funds; compliance of portfolio managers with the investment policies, strategies, and restrictions for the Funds; compliance by DMC and Delaware Distributors, L.P. (together, Management) personnel with the Code of Ethics adopted throughout the Delaware Funds by Macquarie (Delaware Funds); and adherence to fair value pricing procedures as established by the Board. The Board was pleased with the current staffing of DMC and the emphasis placed on research in the investment process. The Board recognized DMC s receipt of certain favorable industry distinctions during the past several years. The Board gave favorable consideration to DMC s efforts to control expenses while maintaining service levels committed to Fund matters. The Board was satisfied with the nature, extent, and quality of the overall services provided by DMC.

Investment performance. The Board placed significant emphasis on the investment performance of the Funds in view of the importance of investment performance to shareholders. Although the Board considered performance reports and discussions with portfolio managers at Investment Committee meetings throughout the year, the Board gave particular weight to the Broadridge reports furnished for the Annual Meeting. The Broadridge reports prepared for each Fund showed the investment performance of its Class A shares in comparison to a group of similar funds as selected by Broadridge (the Performance Universe). A fund with the best performance ranked first, and a fund with the poorest performance ranked last. The highest/best performing 25% of funds in the Performance Universe make up the first quartile; the next 25%, the second quartile; the next 25%, the third quartile; and the poorest/worst performing 25% of funds in the Performance Universe make up the fourth quartile. Comparative annualized performance for each Fund was shown for the past 1-, 3-, 5-, and 10-year periods, to the extent applicable, ended Jan. 31, 2018. The Board s objective is that each Fund s performance for the 1-, 3-, and 5-year periods be at or above the median of its Performance Universe.

Delaware Investments Colorado Municipal Income Fund, Inc. The Performance Universe for the Fund consisted of the Fund and all leveraged closed-end other states municipal debt funds as selected by Broadridge. The Broadridge report comparison showed that the Fund s total return for the 1-, 3-, and 5-year periods was in the first quartile of its Performance Universe. The report further showed that the Fund s total return for the 10-year period was in the third quartile of its Performance Universe. The Board was satisfied with performance.

Delaware Investments Minnesota Municipal Income Fund II, Inc. The Performance Universe for the Fund consisted of the Fund and all leveraged closed-end other states municipal debt funds as selected by Broadridge. The Broadridge report comparison showed that the Fund s total return for the 1- and 3-year periods was in the third quartile of its Performance Universe. The report further showed that the Fund s total return for the 5- and 10-year periods was in the fourth quartile of its Performance Universe. The Fund s performance results were not in line with the Board s objective. In evaluating the Fund s performance, the Board considered the numerous investment and performance reports delivered by Management personnel to the Board s Investments Committee. The Board was satisfied that Management was taking action to improve comparative Fund performance and meet the Board s performance objective.

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Delaware Investments National Municipal Income Fund The Performance Universe for the Fund consisted of the Fund and all leveraged closed-end general and insured municipal debt funds as selected by Broadridge. The Broadridge report comparison showed that the Fund s total return for the 1-year period was in the second quartile of its Performance Universe. The report further showed that the Fund s total return for the 3-year period was in third quartile of its Performance Universe and the Fund s total return for the 5- and 10-year periods was in the fourth quartile of its Performance Universe. The Board observed that the Fund s performance results were mixed but tended toward median, which was acceptable.

Comparative expenses. The Board considered expense data for the Delaware Funds. Management provided the Board with information on pricing levels and fee structures for each Fund as of its most recently completed fiscal year. The Board also focused on the comparative analysis of effective management fees and total expense ratios of each Fund versus effective management fees and total expense ratios of a group of similar funds as selected by Broadridge (the Expense Group). In reviewing comparative costs, each Fund s contractual management fee and the actual management fee incurred by the Fund were compared with the contractual management fees (assuming all funds in the Expense Group were similar in size to the Fund) and actual management fees (as reported by each fund) within the Expense Group, taking into account any applicable breakpoints and fee waivers. Each Fund s total expenses were also compared with those of its Expense Group. The Broadridge total expenses, for comparative consistency, were shown by Broadridge for Class A shares and comparative total expenses including 12b-1 and non-12b-1 service fees. The Board s objective is for each Fund s total expense ratio to be competitive with those of the peer funds within its Expense Group.

Delaware Investments® Colorado Municipal Income Fund, Inc. The expense comparisons for the Fund showed that its actual management fee and total expenses were both the lowest of its Expense Group. The Board was satisfied with the management fee and total expenses of the Fund in comparison to those of its Expense Group.

Delaware Investments Minnesota Municipal Income Fund II, Inc. The expense comparisons for the Fund showed that its actual management fee and total expenses were both the lowest of its Expense Group. The Board was satisfied with the management fee and total expenses of the Fund in comparison to those of its Expense Group.

Delaware Investments National Municipal Income Fund The expense comparisons for the Fund showed that its actual management fee was in the quartile with the lowest expenses of its Expense Group and its total expenses were in the quartile with the second highest expenses of its Expense Group. The Board gave favorable consideration to the Fund s management fee, but noted that the Fund s total expenses were not in line with the Board s objective. In evaluating total expenses, the Board considered the limited number of funds in the Expense Group. The Board was satisfied with Management s efforts to improve the Fund s total expense ratio and to bring it in line with the Board s objective.

Management profitability. The Board considered the level of profits, if any, realized by DMC in connection with the operation of the Funds. In this respect, the Board reviewed the Investment Management Profitability Analysis that addressed the overall profitability of DMC s business in providing management and other services to each of the individual funds and the Delaware Funds as a whole. Specific attention was given to the methodology used by DMC in allocating costs for the purpose of determining profitability. Management stated that the level of profits of DMC, to a certain extent, reflects recent operational cost savings and efficiencies initiated by DMC. The Board considered DMC s efforts to improve services provided to Fund shareholders and to meet additional regulatory and compliance requirements resulting from recent industry-wide Securities and Exchange Commission initiatives. The Board also considered the extent to which DMC might derive ancillary benefits from fund operations, including the potential for procuring additional business as a result of the prestige and visibility associated with its role as service provider to the Delaware Funds and the benefits from allocation of fund brokerage to improve trading efficiencies. As part of its work, the Board also reviewed a report prepared by JDL regarding MIMBT profitability as compared to certain peer fund complexes and the Independent Trustees met with JDL personnel to discuss DMC s profitability in such context. The Board found that the management fees were reasonable in light of the services rendered and the profitability of DMC.

Economies of scale. As closed-end funds, the Funds do not issue shares on a continuous basis. Fund assets, therefore, increase primarily as a result of the increase in value of the underlying securities in the Fund. Accordingly, the Board determined that the Funds were not likely to experience significant economies of scale due to asset growth and, therefore, a fee schedule with breakpoints to pass the benefit of economies of scale on to shareholders was not likely to provide the intended effect.

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Other Fund information

(Unaudited)

Delaware Funds® by Macquarie Closed-End Municipal Bond Funds

Proxy results

At the annual meeting on Aug. 15, 2018, the shareholders of the Funds voted to elect a Board of Directors. A quorum was present and the votes passed with a majority of those shares. All shareholders of each Fund vote together with respect to the election of each Director with one exception. The holders of preferred shares of the Funds that have issued one or more classes of preferred shares have the exclusive right to separately elect two Directors, Ms. Landreth and Ms. Yeomans.

The results of the voting at the meeting were as follows:

Delaware Investments® Colorado Municipal Income Fund, Inc.

	Common shareholders		Preferred shareholders	
	Shares voted for	Shares voted withheld authority	Shares voted for	Shares voted withheld authority
Thomas L. Bennett	3,969,311	138,358	300	0
Ann D. Borowiec	3,913,157	194,512	300	0
Joseph W. Chow	3,969,311	138,358	300	0
John A. Fry	3,944,881	162,788	300	0
Shawn K. Lytle	3,969,901	137,768	300	0
Frances A. Sevilla-Sacasa	3,908,247	199,422	300	0
Thomas K. Whitford	3,969,901	137,768	300	0
Lucinda S. Landreth			300	0
Janet L. Yeomans			300	0

Delaware Investments Minnesota Municipal Income Fund II, Inc.

	Common shareholders		Preferred shareholders	
	Shares voted for	Shares voted withheld authority	Shares voted for	Shares voted withheld authority
Thomas L. Bennett	9,739,098	161,793	750	0
Ann D. Borowiec	9,745,532	155,359	750	0
Joseph W. Chow	9,739,098	161,793	750	0
John A. Fry	9,740,933	159,958	750	0
Shawn K. Lytle	9,733,265	167,626	750	0

Frances A. Sevilla-Sacasa	9,748,388	152,503	750	0
Thomas K. Whitford	9,745,008	155,883	750	0
Lucinda S. Landreth			750	0
Janet L. Yeomans			750	0

Delaware Investments National Municipal Income Fund

	Common shareholders		Preferred shareholders	
	Shares voted for	Shares voted withheld authority	Shares voted for	Shares voted withheld authority
Thomas L. Bennett	3,896,668	137,474	300	0
Ann D. Borowiec	3,845,996	188,146	300	0
Joseph W. Chow	3,896,295	137,847	300	0
John A. Fry	3,897,086	137,056	300	0
Shawn K. Lytle	3,897,086	137,056	300	0
Frances A. Sevilla-Sacasa	3,845,996	188,146	300	0
Thomas K. Whitford	3,897,086	137,056	300	0
Lucinda S. Landreth			300	0
Janet L. Yeomans			300	0

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About the organization

This semiannual report is for the information of Delaware Funds® by Macquarie Closed-End Municipal Bond Funds shareholders.

President

Drexel University

Philadelphia, PA

Lucinda S. Landreth

Former Chief Investment Officer

Assurant, Inc.

New York, NY

Frances A. Sevilla-Sacasa

Former Chief Executive Officer

Banco Itaú International

Miami, FL

Thomas K. Whitford

Former Vice Chairman

PNC Financial Services Group

Pittsburgh, PA

Janet L. Yeomans

Former Vice President and Treasurer

3M Company

St. Paul, MN

Affiliated officers

David F. Connor

Senior Vice President, General

Counsel, and Secretary

Delaware Funds by Macquarie

Philadelphia, PA

Daniel V. Geatens

Vice President and Treasurer

Delaware Funds by Macquarie

Philadelphia, PA

Richard Salus

Senior Vice President and

Chief Financial Officer

Delaware Funds by Macquarie

Philadelphia, PA

Investment manager

Delaware Management Company, a series of Macquarie Investment Management Business Trust (MIMBT)

Philadelphia, PA

Principal office of the Funds

2005 Market Street

Philadelphia, PA 19103-7057

Independent registered public accounting firm

PricewaterhouseCoopers LLP

2001 Market Street

Philadelphia, PA 19103

Registrar and stock transfer agent

Computershare, Inc.

480 Washington Blvd.

Jersey City, NJ 07310

866 437-0252

For securities dealers and financial institutions representatives

800 362-7500

Website

delawarefunds.com/closed-end

Number of recordholders as of

September 30, 2018

Colorado Municipal Fund	55
Minnesota Municipal Fund II	299
National Municipal Fund	59

Your reinvestment options

Each of the Funds offers an automatic dividend reinvestment program. If you would like to reinvest dividends, and shares are registered in your name, contact Computershare, Inc. at 866 437-0252. You will be asked to put your request in writing. If you have shares registered in street name, contact the broker/dealer holding the shares or your financial advisor. If you choose to receive your dividends in cash, you may now elect to receive them by ACH transfer. Contact Computershare at the number above for more information.

Each Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. Each Fund s Forms N-Q, as well as a description of the policies and procedures that each Fund uses to determine how to vote proxies (if any) relating to portfolio securities are available without charge (i) upon request, by calling 866 437-0252; and (ii) on the SEC s website at sec.gov. In addition, a description of the policies and procedures that the Funds use to determine how to vote proxies (if any) relating to portfolio securities and the Schedules of Investments included in the Funds most recent Forms N-Q are available without charge on the Funds website at delawarefunds.com/ closed-end. Each Fund s Forms N-Q may be reviewed and copied at the SEC s Public Reference Room in Washington, D.C.; information on the operation of the Public Reference Room may be obtained by calling 800 SEC-0330. Information (if any) regarding how each Fund voted proxies relating to portfolio securities during the most recently disclosed 12-month period ended June 30 is available without charge (i) through the Funds website at delawarefunds.com/proxy; and (ii) on the SEC s website at sec.gov.

Item 2. Code of Ethics

Not applicable.

Item 3. Audit Committee Financial Expert

Not applicable.

Item 4. Principal Accountant Fees and Services

Not applicable.

Item 5. Audit Committee of Listed Registrants

Not applicable.

Item 6. Investments

(a) Included as part of report to shareholders filed under Item 1 of this Form N-CSR.

(b) Divestment of securities in accordance with Section 13(c) of the Investment Company Act of 1940.

Not applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies

Not applicable.

Item 8. Portfolio Managers of Closed-End Management Investment Companies

Not applicable.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers

Not applicable.

Item 10. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 11. Controls and Procedures

The registrant s principal executive officer and principal financial officer have evaluated the registrant s disclosure controls and procedures within 90 days of the filing of this report and have concluded that they are effective in providing reasonable assurance that the information required to be disclosed by the registrant in its reports or statements filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

There were no significant changes in the registrant s internal control over financial reporting that occurred during the second fiscal quarter of the period covered by the report to stockholders included herein (i.e., the registrant s second fiscal quarter) that have materially affected, or are reasonably likely to materially affect, the registrant s internal control over financial reporting.

Item 12. Disclosure of Securities Lending Activities for Closed-End Management Investment Companies.

Not applicable.

Item 13. Exhibits

(a) (1) Code of Ethics

Not applicable.

(2) Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rule 30a-2 under the Investment Company Act of 1940 are attached hereto as Exhibit 99.CERT.

(3) Written solicitations to purchase securities pursuant to Rule 23c-1 under the Securities Exchange Act of 1934.

Not applicable.

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are furnished herewith as Exhibit 99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf, by the undersigned, thereunto duly authorized.

DELAWARE INVESTMENTS COLORADO MUNICIPAL INCOME FUND, INC.

SHAWN K. LYTLE
By: Shawn K. Lytle
Title: President and Chief Executive Officer
Date: December 5, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SHAWN K. LYTLE
By: Shawn K. Lytle
Title: President and Chief Executive Officer
Date: December 5, 2018

RICHARD SALUS
By: Richard Salus
Title: Chief Financial Officer
Date: December 5, 2018