



PUBLIC DISCLOSURE

August 19, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Shore FS & LA
Charter Number 705740

106 S. Division St
Salisbury, MD 21801

Office of the Comptroller of the Currency

400 7th Street S.W.
Washington, DC 20219

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: Outstanding

The lending test is rated: Satisfactory

The major factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is more than reasonable and exceeds the standard for satisfactory performance.
- A substantial majority of the bank's home mortgage loans are originated in its assessment area (AA).
- The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels and meets the standard for satisfactory performance.
- The geographic distribution of home mortgage loans in the AA reflects reasonable dispersion in low- and moderate-income geographies and meets the standard for satisfactory performance.
- The bank had no consumer complaints regarding its community reinvestment performance during the evaluation period.
- The bank's performance with respect to the optional review of community development loans, investments, and services were sufficient to elevate the bank's overall CRA rating to outstanding.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's LTD ratio is more than reasonable and exceeds the standard for satisfactory performance.

The bank's quarterly average net LTD ratio over the 12-quarter since the last CRA evaluation was 97.9 percent. During this period, the LTD ratio ranged from a quarterly low of 95.3 percent to a quarterly high of 100.2 percent. The ratio is calculated on a bank-wide basis. FSF's quarterly average net LTD ratio is higher than that of a custom peer group of seven similarly situated banks located in the Salisbury, MD-DE multistate metropolitan statistical area (MMSA) with assets ranging from \$204.7 million to \$769.7 million. The quarterly average of these banks over the same 12-quarter was 93.8 percent.

Lending in Assessment Area

The bank made a substantial majority of its home mortgage loans inside the AA, and exceeds the standard for satisfactory performance. During 2016, the bank originated 96.5 percent of its total number of home mortgage loans and 97.5 percent of the dollar volume within the AA. For 2017-2018, the bank originated 95.5 percent by number and 97.5 percent by dollar value of total home mortgage loans within the AA. In aggregate, the bank originated 95.8 percent of loans by number and 97.5 percent by dollar value within

the AA. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. Table D below shows the comparison of home mortgages extended inside and outside of the AA:

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	195	96.5	7	3.5	202	23,603	97.5	601	2.5	24,204
2017	191	95.5	9	4.5	200	24,120	97.0	735	3.0	24,855
2018	211	95.5	10	4.5	221	26,039	97.9	549	2.1	26,588
Subtotal	597	95.8	26	4.2	623	73,762	97.5	1,885	2.5	75,647
Total	597	95.8	26	4.2	623	73,762	97.5	1,885	2.5	75,647

Source: Evaluation Period: 1/1/2016 - 12/31/2018 Bank Data; Due to rounding, totals may not equal 100.0

Description of Institution

First Shore Federal Savings & Loan Association (FSF, bank, or institution) is an interstate, federally-chartered institution founded in 1953. The institution, headquartered in Salisbury, Maryland, is located in Wicomico County. FSF's headquarters is located in a middle-income geography in the City of Salisbury. The City of Salisbury is included in the Salisbury, MD-DE MMSA.

The bank currently has eight branch offices located throughout Maryland and Delaware. Four branches are located in Worcester County, Maryland, two branches (including the bank's main office) are located in Wicomico County, Maryland, and two branches are located in Sussex County, Delaware. All locations have ATMs and six of the eight offer drive-through services. FSF offers 24-hour online and mobile banking services through the bank's website and mobile application platform. During the evaluation period, the bank closed a branch in an upper-income census tract in Wicomico County, Maryland. There were no mergers or acquisitions during the evaluation period.

FSF offers a full range of banking services including checking accounts, savings accounts, certificates of deposits, and individual retirement accounts. Loan products include residential mortgages, home equity loans, consumer loans, construction loans, and commercial loans. The institution's public website, <https://www.firstshorefederal.com>, offers information on banking hours as well as products and services offered.

As of June 30, 2019, FSF had \$308.8 million in total assets, \$251.5 million in total loans, and \$254.3 million in total deposits. Total loans represent 81.5 percent of total assets. The bank's primary loan product continues to be 1-4 family mortgage loans, which represent 68.9 percent of total loans. Table 1 provides a breakdown of the loan portfolio:

Table 1:		
Loan Portfolio Summary by Loan Product		
June 30, 2019		
Loan Category	\$ Amount (thousands)	% of Outstanding Loans
1-4 Family, Residential Real Estate	173,286	68.89%
Consumer Loans	26,132	10.39%
Construction Loans	23,151	9.20%
Non-Farm/Non-Residential Real Estate	17,110	6.80%
Commercial & Industrial	7,999	3.18%
Multifamily Loans	3,289	1.31%
Agriculture & Farm Loans	569	0.23%
Total	251,541	100.00%

Source: June 30, 2019 Call Report

FSF's last Public Evaluation (PE) was dated August 15, 2016, and the institution received an "Outstanding" rating, under the Small Bank performance standards. Since the previous PE, FSF has not materially changed its strategic initiatives. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA.

Scope of the Evaluation

Evaluation Period/Products Evaluated

FSF was evaluated using the Small Bank CRA examination procedures, which only includes a lending test. The Lending Test considers the bank's performance pursuant to the following criteria: Loan-to-Deposit Ratio Analysis; AA Concentration; Geographic Distribution; Borrower Distribution; and Response to CRA Complaints. At the option of bank management, and in accordance with the Interagency Small Bank CRA Examination Procedures, FSF submitted community development loans, investments, donations, and services completed during the review period to be considered for an enhanced rating.

The evaluation period is January 1, 2016, through December 31, 2018, for the lending test and qualified community development activities. The bank's primary loan product is home mortgage loans based on the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. We used two evaluation periods for the examination. Due to updates made to the demographic information during the evaluation period, the income designation of some census tracts changed in 2017. The bank's lending performance for 2016 was evaluated separately, while performance for 2017 and 2018 were assessed on a combined basis. For the purposes of this review, lending in 2016 was analyzed based on income designations from the 2006-2010 American Community Survey (ACS) data. Loans made in calendar years 2017 and 2018 were analyzed based on income designations from the 2011-2015 ACS

data. Peer data was taken from 2016 and 2017 aggregate HMDA information for HMDA reporting financial institutions that reported lending activity within the AA. The aggregate data for 2018 was not available at the time of our analysis.

When determining ratings, more weight was given to the 2017-2018 evaluation period since 67.4 percent of loans by number were originated in this period compared to 32.7 percent in the 2016 evaluation period.

Selection of Areas for Full-Scope Review

FSF has not revised its AA composition since the prior evaluation period. The bank has designated the entire counties of Wicomico, Somerset, and Worcester located on Maryland's Eastern Shore, and the entire county of Sussex on Delaware's Eastern Shore as its combined AA. The combined AA consists of contiguous geographies. Despite crossing state boundaries, all of the counties in the bank's designated AA are located in a single multistate metropolitan statistical area (MMSA): the Salisbury MD-DE MSA 41540. As a result, we performed a single, full-scope review of the bank's contiguous AA. This is consistent with the agency's approach to simplify and improve interagency consistency to evaluate performance at the same MSA or multisite MSA level, even when a bank has branches and deposit taking ATMs in two or more states within the MMSA. (OCC Bulletin 2018-17, "Supervisory Policy and Processes for Community Reinvestment Act Performance Evaluations")

Refer to Appendix A, Scope of Examination, regarding the AA receiving a full-scope review.

Ratings

The bank's overall rating is based on the full scope review of the AA described above, which comprises the entirety of the Salisbury MD-DE MSA 41540.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Multistate Metropolitan Statistical Area Rating

Salisbury, MD-DE MMSA

CRA Rating for the Salisbury, MD-DE MMSA: Outstanding

The lending test is rated: Satisfactory

The major factors that support this rating include:

- The bank's distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels within the MMSA.
- The geographic distribution of home mortgage loans in the MMSA reflects reasonable dispersion in low- and moderate-income geographies.
- Community development loans originated are effective in helping the bank address community credit needs and had a positive impact on the bank's lending test rating.
- The overall level of community development activities enhances the credit availability in the AA and provides a positive impact in meeting the credit needs of the community.

Description of Institution's Operations in the Salisbury, MD-DE MMSA

FSF conducts all of its operations within the Salisbury, MD-DE MMSA. Competition for deposits and loans is strong within the MMSA. According to the June 30, 2018 FDIC Deposit Market Share Data, FSF is ranked 15th out of 24 institutions in the MMSA with a deposit market share of 0.4 percent of total deposits. The primary competitors within the MMSA are: Discover Bank (one office, 89.4 percent market share), PNC Bank (23 offices, 2.2 percent market share), Manufacturers and Traders Trust Company (19 offices, 1.7 percent market share), The Bank of Delmarva (13 offices, 0.7 percent market share), and Taylor Bank (10 offices, 0.6 percent market share).

According to 2017 Peer Mortgage Data, FSF is ranked 24th out of 446 mortgage lenders in the MMSA, with a market share of 1.2 percent of mortgage loans. FSF's major competitors in 2017 were: Wells Fargo Bank (10.7 percent market share), Quicken Loans (3.6 percent market share), NVR Mortgage Finance Inc. (3.4 percent market share), JPMorgan Chase Bank (3.2 percent market share), and First Home Mortgage (2.7 percent market share).

According to the Bureau of Labor Statistics, the December 31, 2018 unemployment rate for the Salisbury MD MSA was 5.2 percent. As of the same date, the unemployment rate for the state of Maryland was 3.7 percent and the national unemployment rate was 3.9 percent.

The economy within the MMSA is stable overall and expanding at a measured pace. The major employment sectors in the MMSA are manufacturing, higher education, agriculture, health care, and

tourism. The major employers are Peninsula Regional Medical Center, Perdue Farms, Salisbury University, Harrison Group, and Beebe Healthcare.

According to Moody's Analytics, Salisbury will outperform Maryland and the broader U.S. in the near term, but job gains will be concentrated in low-wage industries such as leisure/hospitality. Manufacturing will contribute little to job growth. The medium- to long-term outlook remains mixed, with serious downside risks related to industrial concentration, demographics and credit that could constrain growth in the coming decade if spending in the local economy slows.

During the evaluation, we conducted interviews with two community contacts located within the MMSA. The first contact was a non-profit economic development entity and the second contact was a non-profit organization that specializes in affordable housing development, education, and lending. Both contacts indicated there is a need to finance affordable housing for low- and moderate-income borrowers and economic development activities for low- and moderate-income geographies within the AA.

FSF's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

2016 AA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	96	1.0	15.6	62.5	17.7	3.1
Population by Geography	373,802	0.4	16.9	67.3	14.5	0.9
Housing Units by Geography	226,286	0.3	11.9	67.3	20.5	0.0
Owner-Occupied Units by Geography	107,182	0.0	12.2	70.1	17.6	0.0
Occupied Rental Units by Geography	35,207	1.5	26.4	62.9	9.2	0.0
Vacant Units by Geography	83,897	0.1	5.4	65.5	29.0	0.0
Businesses by Geography	25,594	0.3	14.5	65.3	19.8	0.1
Farms by Geography	1,387	0.1	12.5	77.1	10.0	0.3
Family Distribution by Income Level	94,694	20.0	18.7	21.8	39.5	0.0
Household Distribution by Income Level	142,389	22.7	17.0	19.2	41.1	0.0
Median Family Income MSA - 41540 Salisbury, MD-DE MSA		\$60,486	Median Housing Value			\$294,206
			Median Gross Rent			\$864
			Families Below Poverty Level			7.9%

Source: 2010 U.S. Census and 2016 D&B Data
Due to rounding, totals may not equal 100.0
(* The NA category consists of geographies that have not been assigned an income classification.)

In 2016, FSF's AA consisted of 96 census tracts. Based on the 2010 Census data used for the 2016 evaluation period, there was one (one percent of AA) low-income tract, 15 (16 percent of AA) moderate-

income tracts, 60 (62 percent of AA) middle-income tracts, 17 (18 percent of AA) upper-income tracts, and three (three percent of AA) tracts with no income designation.

2017-2018 AA

Table A2 - Demographic Information of the AA

AA: Salisbury, MD-DE MMSA 2015 ACS Census

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	98	1.0	14.3	54.1	25.5	5.1
Population by Geography	385,983	0.8	16.6	60.3	21.1	1.2
Housing Units by Geography	236,295	0.8	11.3	56.1	31.8	0.0
Owner-Occupied Units by Geography	107,113	0.7	9.7	64.5	25.1	0.0
Occupied Rental Units by Geography	40,217	1.5	29.6	53.4	15.5	0.0
Vacant Units by Geography	88,965	0.5	5.1	47.1	47.3	0.0
Businesses by Geography	26,781	0.5	12.2	61.4	25.8	0.1
Farms by Geography	1,429	0.1	10.6	68.4	20.6	0.3
Family Distribution by Income Level	98,206	21.0	17.8	20.8	40.4	0.0
Household Distribution by Income Level	147,330	23.6	16.7	17.9	41.8	0.0
Median Family Income MSA - 41540 Salisbury, MD-DE MSA		\$63,091	Median Housing Value			\$262,148
			Median Gross Rent			\$965
			Families Below Poverty Level			9.8%

Source: 2015 ACS Census and 2018 D&B Data

Due to rounding, totals may not equal 100.0

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

The census data change in 2017 altered the income designations and composition of several census tracts in the bank's AA. Based on the 2015 ACS Census data effective as of 2017, the bank's AA now consisted of 98 census tracts. There was now one (one percent of AA) low-income tract, 14 (14 percent of AA) moderate-income tracts, 53 (54 percent of AA) middle-income tracts, 25 (26 percent of AA) upper-income tracts, and five (five percent of AA) tracts with no income designation.

The most striking statistic above is the extraordinarily high housing vacancy rate. The U.S. Census Bureau considers a housing unit as vacant if no one is living in it at the time of the census, unless its occupants are only temporarily absent. Units that are temporarily occupied, such as vacation homes, are considered vacant by the U.S. Census Bureau. The town of Ocean City is located within Worcester County. While Ocean City supports a year-round population of about 8,000, this sprawling location is the destination of hundreds of thousands of tourists each year. The Ocean City strip supports hotels, motels, apartment houses, shopping centers, residential communities, and condominiums (including numerous vacation homes considered vacant by the U.S. Census). According to 2015 ACS Census data, only 45.3 percent of housing units are owner-occupied, and 58.7 percent are either rental or vacant housing units.

LENDING TEST

FSF's performance under the Lending Test in the Salisbury, MD-DE MMSA is rated Satisfactory. Based on a full-scope review, the bank's performance in the Salisbury, MD-DE MMSA is reasonable. The bank's community development lending enhances its lending to borrowers of different Incomes in the AA.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of home mortgage loans in the moderate-income tracts. In 2016, there are no low-income geographies in the AA, therefore, an analysis of lending in low-income geographies would not be meaningful and was not performed.

The geographic distribution of home mortgage loans in 2017-2018 was reasonable. In 2017-2018, there was only one low-income tract in the AA, with majority of the census tracts being middle- to upper-income geographies. There are no unexplained conspicuous gaps in the bank's lending patterns.

Home Mortgage Loans

Refer to Tables O1 and O2 in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The bank did not originate any loans in 2016 in low-income census tracts. However, the lack of owner-occupied housing (OOHU) in these census tracts reflects no lending opportunities. For moderate-income geographies, the percentage of home mortgage loans made was less than both the percentage of OOHUs and the aggregate data. FSF originated 5.6 percent of home mortgage loans in moderate-income tracts, compared to 12.2 percent of OOHU located within the moderate-income tracts. The aggregate originated 8.2 percent home mortgage loans in moderate-income census tracts.

During the 2017-2018 evaluation period, FSF did not originate any home mortgage loans in the one low-income geography contained within the AA. However, opportunities to lend in the sole low-income geography remained limited as less than 0.7 percent of OOHUs were located in low-income census tracts. FSF's percentage of home mortgage loans originated in moderate-income tracts was less than the percentage OOHUs within those geographies but exceeded the aggregate data, representing reasonable performance. FSF originated 6.5 percent of home mortgage loans in moderate-income tracts. The aggregate originated 6.3 percent home mortgage loans in moderate-income tracts, while 9.7 percent of the AA OOHUs were located within the bank's moderate-income tracts.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of home mortgage loans to individuals of different income levels. The borrower distribution of home mortgage loans in both the 2016 and 2017-2018 evaluation periods is reasonable. FSF's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

Home Mortgage Loans

Refer to Tables P1 and P2 in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of home mortgage loans in 2016 reflects reasonable penetration among borrowers of different income levels. The percentage of home mortgage loans made to low-income borrowers was less than the percentage of low-income families in the AA. However, FSF's performance was equal to the aggregated percentage of peer loans to low-income borrowers in 2016. It should be noted that based on 2006-2010 ACS Census data, 7.9 percent of families had incomes below the poverty level. The median cost of housing was \$294,206, and the FFIEC Updated median family income was \$64,486, which means a low-income family earned less than \$32,243. Therefore, low-income borrowers would likely have difficulty qualifying for home mortgage loans considering the median cost of housing in the AA. FSF originated 3.6 percent of its home mortgage loans to low-income borrowers, which was comparable to aggregate lending data at 3.7 percent. Both the bank's and aggregate lender's performance was below the percentage of low-income families in the AA at 20.0 percent. FSF originated 17.8 percent of loans to moderate-income borrowers, which was somewhat less than the 18.7 percentage of moderate-income families in the AA. However, FSF exceeded the aggregate lending percentage to moderate-income borrowers at 10.6 percent.

The distribution of home mortgage loans during the 2017-2018 evaluation period also reflects reasonable penetration among borrowers of different income levels. The percent of home mortgage loans made to low- and moderate-income borrowers exceeded the percent of aggregate lending data but was below the percent of low-income families in the AA. FSF originated 9.0 percent of home mortgage loans to low-income borrowers and 13.7 percent to moderate-income borrowers. Aggregate lending percentages of home mortgage loans to low- and moderate-income borrowers equaled 4.4 percent and 13.0 percent, respectively. According to the 2015 ACS data, 21.0 percent and 17.8 percent of the families in the AA are low- and moderate-incomes, respectively.

As part of our evaluation, we considered the difficulty for low- and moderate-income families to afford housing within the AA. Based on the 2015 ACS US Census data, the median cost of housing in the AA was \$262,148. The FFIEC Updated Median Family Income within the MMSA was \$69,200 in 2018. This means a low-income borrower earned less than \$34,600 and a moderate-income borrower earned less than \$55,360. Therefore, low- and moderate-income borrowers would likely have difficulty qualifying for home mortgage loans considering the median cost of housing in the AA. In addition, the 2015 ACS Census data shows 9.8 percent of families in the MMSA are below the poverty level.

Community Development Loans

The level of community development loans enhanced FSF's lending performance in the AA. During the evaluation period, FSF originated thirteen (13) community development loans totaling \$1.7 million. Several of these loans supported revitalization and stabilization of low- or moderate-income geographies located in an Enterprise Zone as well as geographies designated as a disaster area by the Federal Emergency Management Agency (FEMA) impacted by the Hurricane Sandy. One loan supported community services to a skilled nursing facility located in a moderate-income geography where a majority of the patients receive Medicaid.

Responses to Complaints

The bank has not received any CRA-related consumer complaints since the last evaluation.

Qualified Investments and Community Development Services (Optional)

FSF elected to report its qualified community development investments and services for consideration as a possible enhancement to its CRA rating. After considering performance context factors such as the bank's capacity and the AA credit and community needs, examiners determined that performance in these activities enhances credit availability in the bank's AA and warrant an enhancement of its satisfactory retail lending record to Outstanding.

Qualified Investments

FSF's investment record enhances the credit availability in its AA. Notably, the bank purchased Community Investment Tax Credit (CITC) supported by the Maryland Department of Housing and Community Development's Community (DHCD) Investment Tax Credit program. Nonprofit organizations designated a 501(c)(3) organization by the IRS are eligible to apply for CITCs for a project or activity that is either located in or serving a community in a Priority Funding Area. DHCD awards Neighborhood Revitalization Program funding to initiatives aimed at business expansion and retention, streetscape improvements, homeownership and home rehabilitation incentives, commercial improvement programs, mixed-use development, and strategic demolition. Descriptions of the CITCs are detailed below:

- \$17,640 to Habitat of Wicomico County for capital support for on-going construction focusing on revitalizing Salisbury's Church Street neighborhood to eliminate crime and blight.
- \$5,000 to Habitat of Worcester County for capital support for a compact, mixed-use development that will provide both affordable housing and business space at 21 Jefferson Street in Berlin's Main Street and Arts and Entertainment Districts.
- \$7,500 to Delmarva Discovery Center and Museum located in Pocomoke City's Enterprise Zone for capital and operating support for a vehicle, scholarships, and materials to conduct mobile museum-based educational and cultural programs across the three-county area.
- \$500 to Mar-Va Theater Performing Arts Center Pocomoke City's Enterprise Zone for CITC-2018-MarVaThtr-00199 Capital Improvements HVAC repair project.

In addition, the bank made sixty-eight (68) qualified donations totaling \$79,800 to twenty-two (22) different organizations during the evaluation period. A vast majority of donations were targeted toward organizations that provide services to low- and moderate-income individuals and families in the bank's AA.

Community Development Services

The bank's record of providing community development services enhances credit availability in its AA. The bank provided several community development services that enhance its CRA performance. During the evaluation period, nine (9) bank employees provided financial and technical expertise to seven (7)

qualifying nonprofit organizations in a leadership capacity, either as a board member or committee member of these organizations. Bank officers and employees typically provided these services throughout the duration of the evaluation period.

Four employees taught financial management to low- and moderate-income students at various schools in the bank's AA. A majority of students attending these schools qualify for free or reduced-price meals under the National School Lunch Program.

Other Community Development Services

Additionally, the bank participates in the following community development service activities that have special features that are of particular benefit to low- and moderate-income individuals:

Interest on Lawyer Trust (IOLTA) Accounts program

The bank participates in the Interest on Lawyers' Trust Accounts (IOLTA) Honor Roll program which is a joint program of the Maryland State Bar Association and the Maryland Legal Services Corporation (MLSC). The IOLTA Honor Roll consists of financial institutions that pay premium rates on IOLTA accounts. Revenue generated from the IOLTA Honor Roll program is used to make grants to nonprofit organizations providing legal services to low- income persons in Maryland. As of December 31, 2018, the bank held ten (10) IOLTA accounts and remitted \$5,480 IOLTA funds to MLSC.

Free Credit Reports

First Shore Federal orders and provides credit reports to the City of Salisbury Housing & Community Development Department and Somerset County Department of Technical & Community Services agencies at no charge for individuals applying for single-family rehabilitation grant programs offered through the State of Maryland Department of Housing and Community Development (DHCD). Specifically, these agencies assist DHCD with the implementation of their Special Loans Program (SLP). The SLP program is only eligible to low- and moderate-income homeowners. Income limits are established by DHCD and are based on HUD requirements, and are updated annually. During the period, FSF provided eighty-nine (89) free credit reports to Somerset County and twenty-two (22) to Wicomico County.

Retail Services

Overall, retail services do not vary in a way that inconveniences any portion of the bank's AA, including low- and moderate-income geographies and/or low- and moderate-income individuals. Three (37.5 percent) of the bank's eight branches are located in moderate-income census tracts. The hours of operation and services provide reasonable means for customers to complete many types of banking activities outside of normal service hours.

Alternative Delivery Systems

In addition to the branch network and ATMs, the FSF offers a variety of electronic banking services, including internet, telephone banking, text message banking, and mobile banking. These services allow

customers to obtain deposit and loan account information, transfer funds and pay bills, and view current and previous months' bank statements at no charge.

Changes in Branch Locations

The bank's record of closing branches has generally not adversely affected the accessibility of its delivery systems to low- and moderate-income geographies or individuals in its AA. The bank closed one branch located in an upper-income census tract since the previous evaluation. The bank has not opened any branches since the previous evaluation.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed:	01/01/2016 to 12/31/2018	
Bank Products Reviewed:	Home Mortgage Loans & Community Development Loans, Qualified Investments and Community Development Services (Optional)	
Affiliate(s)	Affiliate Relationship	Products Reviewed
NA	NA	NA
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
MMSA(s)		
Salisbury, MD-DE MMSA	Full-scope	AA consists of entire MMSA. For the period from January 1, 2016 through December 31, 2016, the data from the 2010 U.S. Census was used in our analysis. For the period from January 1, 2017 through December 31, 2018, data from the 2010 U.S. Census was also used in our analysis but was modified to include 2017 Office of Management and Budget census updates.

Appendix B: Summary of MMSA and State Ratings

RATINGS	First Shore FS & LA
Overall Bank:	Lending Test Rating
First Shore FS & LA	Outstanding
MMSA or State:	
Salisbury, MD-DE MMSA	Outstanding

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

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

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

Multifamily: Refers to a residential structure that contains five or more units.

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

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

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

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

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

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table O1 : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography 2016

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Salisbury, MD-DE MMSA	195	23,603	100.0	16,943	0.0	0.0	0.0	12.2	5.6	8.2	70.1	81.0	69.4	17.6	13.3	22.4	0.0	0.0	0.0
Total	195	23,603	100.0	16,943	0.0	0.0	0.0	12.2	5.6	8.2	70.1	81.0	69.4	17.6	13.3	22.4	0.0	0.0	0.0

Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "2018" data not available.
 Due to rounding, totals may not equal 100.0

Table O2 : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography 2017-18

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Salisbury, MD-DE MMSA	402	50,159	100.0	16,552	0.7	0.0	0.2	9.7	6.5	6.3	64.5	67.7	59.9	25.1	25.9	33.5	0.0	0.0	0.0
Total	402	50,159	100.0	16,552	0.7	0.0	0.2	9.7	6.5	6.3	64.5	67.7	59.9	25.1	25.9	33.5	0.0	0.0	0.0

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "2018" data not available.
 Due to rounding, totals may not equal 100.0

Table P1: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2016

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Salisbury, MD-DE MMSA	195	23,603	100.0	16,943	20.0	3.6	3.7	18.7	13.8	10.6	21.8	15.9	16.1	39.5	65.1	52.7	0.0	1.5	16.9
Total	195	23,603	100.0	16,943	20.0	3.6	3.7	18.7	13.8	10.6	21.8	15.9	16.1	39.5	65.1	52.7	0.0	1.5	16.9

Source: 2010 U.S Census ; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "2018" data not available.
 Due to rounding, totals may not equal 100.0

Table P2: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2017-18

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Salisbury, MD-DE MMSA	402	50,159	100.0	16,552	21.0	9.0	4.4	17.8	13.7	13.0	20.8	20.9	16.5	40.4	55.2	50.8	0.0	1.2	15.3
Total	402	50,159	100.0	16,552	21.0	9.0	4.4	17.8	13.7	13.0	20.8	20.9	16.5	40.4	55.2	50.8	0.0	1.2	15.3

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "2018" data not available.
 Due to rounding, totals may not equal 100.0