



PUBLIC DISCLOSURE

August 15, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Shore FS & LA
Charter Number 705740

106 S Division St
Salisbury, MD 21801-4929

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, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

State Name: Maryland Rating: Outstanding

State Name: Delaware Rating: Satisfactory

The following major factors support the institution's rating in the combined assessment area:

- The institution's average loan-to-deposit ratio is more than reasonable, and exceeds the standard for satisfactory performance;
- A substantial majority of mortgage loans were originated within the institution's combined assessment area;
- The institution's record of lending to borrowers of different income levels reflects reasonable proportion given the performance context;
- The geographic distribution of loans reflects reasonable distribution in low- and moderate- income census tracts; and
- The institution has not received any CRA-related complaints since the last CRA evaluation.

Scope of Examination

This evaluation assesses the performance of First Shore FS&LA ("First Shore", "FSF" or "Bank") pursuant to the Community Reinvestment Act ("CRA") during the review period, which spanned from January 1, 2014 through December 31, 2015. The OCC evaluated the Bank using Small Bank performance criteria, which includes a lending test. The lending test evaluates the Bank's record of meeting the credit needs of its assessment area ("AA") through its lending activities.

FSF's primary loan product based on originations and purchases during the evaluation period is residential mortgages. This evaluation considers reportable mortgage loans pursuant to the Home Mortgage Disclosure Act of 1975 ("HMDA") for the calendar years 2014 and 2015. The analysis took into consideration the economic, financial, and environmental factors that impact the Bank's CRA performance. Demographic information was extracted from the 2010 Census data, and peer data was taken from 2014 aggregate HMDA information (the most recent year available) for HMDA reporting financial institutions that reported lending activity within the AA.

In order to ensure that FSF's record of originating residential mortgage loans was accurate and reliable, the OCC analyzed loan data FSF collected and reported in accordance with the HMDA requirements. The OCC performed a data integrity review during the second quarter of 2016 and determined that the data was reliable to include in an evaluation of the Bank's lending.

Description of Institution

First Shore is a federally chartered mutual savings bank headquartered in Salisbury, MD. FSF does not have any subsidiaries or affiliates. As of December 31, 2015, FSF had total assets of \$304.5 million and tier 1 capital of \$41.7 million. As of the same date, FSF had net loans and leases of \$248.2 million and total deposits of \$252.1 million. The loan portfolio is comprised of 91.55 percent of residential real estate loans, 2.71 percent of commercial loans, and 5.73 percent of loans to individuals. First Shore's assets decreased by \$14.0 million since the previous CRA evaluation.

First Shore operates from nine (9) full service branch office locations throughout Maryland and Delaware. Three (3) branches are located in Wicomico County, Maryland, including the Bank's main office, which is located in the downtown Salisbury, Maryland branch. Four (4) branches are located in Worcester County, Maryland, and two (2) in Sussex County, Delaware. The branches offer lobby hours of 8:30am to 3:00pm along with extended hours until 6:00pm on Fridays, except for the main office. Drive-up services with extended hours are offered from 8:30am to 4:00pm Monday through Thursday, 8:30am through 6:00pm Fridays, and 8:30am through 12:00pm on Saturday at all branches except the main branch and Snow Hill branch, which offer no drive-up services. Automated Teller Machines ("ATM") are located at all of the branch offices, except for the main office in Salisbury. During the evaluation period, the Bank opened a full-service banking center in a middle-income geography in Sussex County, Delaware. There were no mergers or acquisitions during the evaluation period.

FSF remains primarily a single-family mortgage lender, offering a variety of residential mortgage loan products including fixed and adjustable rate loans, construction-permanent loans, and lot loans. The Bank also originates a limited number of commercial and other types of consumer loans. The Bank has a somewhat unique mobile home lending niche. During the review period, First Shore originated 59 mobile home loans totaling \$3.5 million. Based on 2010 US Census Data, mobile homes and trailers represented 14.73 percent of the housing units within First Shore's combined AA.

There are no financial or legal impediments hindering FSF's ability to help meet the credit needs of the communities it serves. The Bank received an "Outstanding" rating during its last Intermediate Small Bank CRA examination dated April 26, 2012.

Description of Assessment Area(s)

FSF has not revised its AA composition since the prior evaluation period. The Bank has designated Wicomico, Somerset, and Worcester Counties located on Maryland's Eastern Shore, and Sussex County on Delaware's Eastern Shore as its combined AA. The combined AA consists of contiguous geographies and, despite crossing a state boundary, is essentially homogeneous in nature. However, as the combined AA includes metropolitan and non-metropolitan areas across state lines, the current evaluation considered the Bank's performance within the (i) combined AA; (ii) Salisbury, Maryland MSA AA; (iii) non-metropolitan Maryland AA, and (iv) non-metropolitan Delaware AA. FSF's AA meets the requirements of the regulation and does not arbitrarily exclude any

low- or moderate-income areas. The AAs in each state, Maryland and Delaware, were reviewed separately.

The table below, which is based on 2010 U. S. Census Data, sets forth certain demographic characteristics of First Shore’s combined AA:

Demographic Information for the Combined AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	96	1.04	15.63	62.50	17.71	3.13
Population by Geography	373,802	0.35	16.86	67.33	14.53	0.92
Owner-Occupied Housing by Geography	107,182	0.04	12.24	70.13	17.55	0.04
Business by Geography	27,868	0.31	14.38	65.70	19.55	0.07
Farms by Geography	1,601	0.06	12.05	76.58	11.06	0.25
Family Distribution by Income Level	94,694	19.98	18.69	21.78	39.55	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	36,618	0.77	23.25	65.67	10.31	0.00
Median Family Income		60,486	Median Housing Value			294,206
FFIEC Adjusted Median Family Income for 2015		64,800	Unemployment Rate: State of Maryland			4.3%
Households Below Poverty Level		11.22%	Unemployment Rate: Salisbury MD MSA			4.8%

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 US Census and 2015 FFIEC updated MFI

Of the 96 census tracts, one (1) is a low-income geography, 15 are moderate-income geographies, 60 are middle-income geographies, 17 are upper-income geographies, and three (3) have not been assigned an income classification.

The 2010 U.S. Census reported the total population of the AA at 373,802. Within the AA, there are 142,389 households and 94,694 families. There are 226,286 housing units, of which, 47.37 percent are owner-occupied, 15.56 percent are rental-occupied, and 37.08 percent are vacant housing units. Approximately 0.04 percent of owner-occupied housing is located in low-income geographies, 12.24 percent in moderate-income geographies, 70.13 percent in middle-income geographies, and 17.55 percent in upper-income geographies. The median housing cost is \$294,206.

The 2010 median income for this AA was \$60,486, and the 2015 HUD updated median family income is \$64,800. Approximately 19.98 percent of families are low-income, 18.69 percent are moderate-income, 21.78 percent are middle-income, and 39.55 percent are

upper-income. Additionally, 37.10 percent of households received social security, 26.17 percent were retired, and 11.22 percent of households were below the poverty level. Competition for mortgage loans is strong and includes local commercial and savings banks and branches of larger regional and nationwide banks. Based upon the most recent 2014 Peer Mortgage Data, there were 419 lending institutions within FSF's AA competing for mortgage applications. FSF ranks 17th with a market share of 1.42 percent. The top five (5) lenders are: (i) Wells Fargo Bank, NA, (ii) JP Morgan Chase Bank, NA, (iii) Quicken Loans, (iv) Branch Banking and Trust Company, and (v) PNC Bank, NA.

Based on the June 30, 2016 FDIC Summary of Deposit Market Share report, FSF's deposit market share within the Salisbury MD MSA was 0.44 percent, ranking FSF 14 out of 24 institutions in the MSA. FSF's primary competitors are: (i) Discover Bank (one office, 87.96 percent market share), (ii) PNC Bank (26 offices, 2.50 percent market share), and (iii) Manufacturers and Traders Trust Company (19 offices, 1.97 percent market share).

According to the Bureau of Labor Statistics, the June 30, 2016 unemployment rate for the Salisbury MD MSA was 4.8 percent. As of the same date, the unemployment rate for the state of Maryland was 4.3 percent and the national unemployment rate was 4.9 percent.

Ratings

FSF's overall rating is a blend of the combined AA rating and state ratings. The AAs within the state of Maryland account for 53.68 percent of the Bank's loans and 93.28 percent of deposits. The state of Delaware accounts for 42.89 percent of the loans and 6.72 percent of the deposits. Because AAs within the state of Maryland hold the highest Bank deposits, more weight was placed in this area for determining the overall rating. Further, seven (7) of the Bank's nine (9) branches are located in the state of Maryland. Each AA received full-scope reviews.

The following table details the number of branch offices, deposit dollars, and number of loans originated in each AA:

Assessment Area	Branch #	Branch %	Deposit \$	Deposit %	Loans #	Loans %
State of Maryland Salisbury MD MSA (Wicomico and Somerset Counties)	3	33.33	117,648	46.71	74	19.47
State of Maryland (Worcester County MD; Non- Metropolitan) AA	4	44.44	117,296	46.57	130	34.21
State of Delaware (Sussex County)	2	22.22	16,919	6.72	163	42.89
NA					13	3.42
TOTAL	9	100.00*	251,863	100.00	380	100.00*

*Figures may not total to 100.0% due to rounding.

The overall conclusions in the analysis are based on a variety of performance context considerations that affect the individual conclusions within the Bank's AA. Refer to the sections in this evaluation which describe the Bank's performance in specific AAs.

Conclusions with Respect to Performance Criteria in Combined AA

FSF's performance under the lending test is outstanding. The loan-to-deposit ratio is more than reasonable. FSF originated a substantial majority of its loans inside the combined AA. The record of lending to borrowers of different incomes reflects reasonable proportion given the performance context. The geographic distribution of loans reflects reasonable distribution throughout census tracts of different income levels. All lending test criteria are listed below:

Loan-to-Deposit Ratio

FSF's quarterly average net loan-to-deposit ratio is more than reasonable and exceeds the standards for satisfactory performance. The Bank's quarterly average loan-to-deposit ratio over the fifteen-quarter review period was 95.10 percent. During this fifteen-quarter period, this ratio ranged from a quarterly low of 88.95 percent to a quarterly high of 101.26 percent. The quarterly average net loan-to deposit ratio for a peer group of nine (9) similarly sized and situated banks was 83.44 percent over the same period. The peer group's ratio ranged from a quarterly low of 62.61 percent to a quarterly high of 104.74 percent during that time period.

Lending in Assessment Area

First Shore made a substantial majority of its HMDA-reportable loans within its combined AA, exceeding the standards for satisfactory performance. In total, the Bank originated 380 HMDA Reportable loans totaling \$52.1 million over the assessment period. Of the 380 originations, 96.05 percent were originated within the Bank's AA.

The table below displays the breakdown of originations inside and outside of the AA:

Distribution of Loans Inside and Outside of Assessment Area										
Loan Category of Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$(000s)	%	\$(000s)	%	\$(000s)
HMDA Reportable	365	96.05	15	3.95	380	\$50,825	92.66	\$1,297	2.49	\$52,122

Source: HMDA – reported data from 01/01/14 – 12/31/15.

Lending to Borrowers of Different Incomes

The proportion of home loans to borrowers of different incomes reflects reasonable proportion and meets the standards for satisfactory performance. The percentage of home loans made to low- and moderate-income borrowers exceeds the percentage of aggregate lending data, which is our primary comparator. Although First Shore's percentage of home loans granted to both low- and moderate-income borrowers was below the percentage of low- and moderate-income families residing within the AA, it exceeded the level of lending to low-income borrowers by other lenders. According to the U.S. Census Bureau's median housing price of \$294,206, housing costs are high relative to median family income. The 2015 HUD updated median family income is \$64,800, which means a low-income family earned less than \$32,400. Additionally, moderate-income families earned at least \$32,400, but less than \$51,192. Therefore, low- and moderate-income borrowers would have difficulty qualifying for home mortgage loans. Overall lending to low- and moderate-income persons represented 22.44 percent of AA lending, which compares well to the peer benchmark of 18.52 percent.

The table below shows the distribution of HMDA loans in the AA among borrowers of different income levels for the period of January 1, 2014 through December 31, 2015. This is compared to the percentage of families in each income category as well as the aggregate peer performance in 2014, the most recent year for which data is available:

Distribution of First Shore HMDA-Reportable Loans By Borrower Income Level in the Combined Assessment Area					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Borrower	Number	No. Pct.	Dollar (000)	\$ Percent	Percent Families	2014 Aggregate HMDA
Low = <50%	31	8.59%	\$1,916	4.13%	19.88%	6.16%
Moderate = 50-79%	50	13.85%	\$3,660	7.88%	18.69%	12.36%
Middle = 80-119%	63	17.45%	\$4,835	10.41%	21.78%	16.52%
Upper = > 120%	217	60.11%	\$36,022	77.58%	39.55%	64.96%
Total	361	100.00%	\$46,433	100.00%	100.00%	100.00%

Source: HMDA – reported data from 01/01/14 – 12/31/15; 2010 U.S. Census data. Excludes four loans for which borrower income was not available.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable distribution throughout census tracts of different income levels. The Bank made no home loans in the low-income geographies during the review period. Demographics reflect limited lending opportunities as aggregate lending data is very low in the low-income geographies. In addition, the percentage of owner-occupied housing is less than one percent in the low-income geographies. The percentage of loans granted in the 15 moderate-income tracts exceeds the percent of aggregate lending data.

The table below illustrates loan originations, categorized by geography income level that were reported by FSF during the review period, and compares this activity to the 2014 aggregate peer performance. The table also includes a comparison to the percentage of Owner Occupied Housing Units (“OOHUs”) within the AA:

Distribution of First Shore HMDA-Reportable Loans By Census Tract Income Level in the Combined Assessment Area					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Census Tract	Number	No. Pct.	Dollar (000)	\$ Percent	Percent O.O.H.U.	2014 Aggregate HMDA
Low = <50%	0	0.00%	\$0	0.00%	0.00%	0.02%
Moderate = 50-79%	34	9.32%	\$2,928	5.76%	11.84%	6.62%
Middle = 80-119%	273	74.79%	\$37,536	73.85%	73.46%	67.91%
Upper = > 120%	58	15.89%	\$10,361	20.39%	14.70%	27.45%
Total	365	100.00%	\$50,825	100.00%	100.00%	100.00%

Source: HMDA – reported data from 01/01/14 – 12/31/15; 2010 U.S. Census data.

Responses to Complaints

FSF has not received any complaints about its performance in helping to meet the credit needs of the communities in which it operates since the last CRA evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a National Bank's ("NB") or Federal Savings Association's ("FSA") CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the NB or FSA, or in any AA by an affiliate whose loans have been considered as part of the NB's or FSA's lending performance.

There was no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs of the Bank's AA.

State Ratings

State of Maryland

CRA Rating for Maryland: Outstanding

The major factors that support this rating are:

- The overall borrower distribution of loans reflects excellent proportion among individuals of different income levels given the performance context.
- The geographic distribution of loans reflects reasonable distribution throughout the census tracts of different income levels given the performance context.

Description of Institution's Operations in Maryland

First Shore operates seven (7) full service branch offices in the state of Maryland. Three (3) branches are located in the Salisbury, MD MSA (all three in Wicomico County); including the Bank's main office located in its downtown Salisbury, Maryland branch. Four (4) branches are located in Worcester County, MD. All seven (7) branches in Maryland are full service branches.

As of June 30, 2016, retail branch deposits in the state of Maryland totaled approximately \$235.0 million and represented 93.28 percent of the Bank's total retail branch deposits.

Description of the State of Maryland Assessment Areas

The Bank's Maryland AAs consist of the Salisbury, MD MSA AA (Wicomico and Somerset Counties) and Worcester County (Non-Metropolitan) AA. FSF designated all of the census tracts within Wicomico County, Somerset County, and Worcester County as its AA. The Bank's two (2) Maryland AAs do not arbitrarily exclude any low- or moderate-income areas and does not reflect any illegal discrimination.

Conclusions with Respect to Performance Tests in State of Maryland

The Bank's performance under the lending test in the state of Maryland is rated outstanding.

The distribution of loans reflects excellent distribution among individuals of different income levels given the performance context. The geographic distribution of loans reflects reasonable distribution throughout census tracts of different income levels given the performance context.

Salisbury, MD MSA Assessment Area

Description of Institution's Operations in Assessment Area

Somerset County is home to numerous seaside resort towns, small towns, and agriculture. Major business sectors in this AA include: (i) leisure and hospitality; (ii) trade, (iii) transportation, and utilities; (iv) educational and health services; (v) government; and (vi) professional and business services.

The following table summarizes certain demographic characteristics of the AA based upon information derived from the 2010 Census data:

Demographic Information for the Salisbury, MD MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	27	3.70	25.93	51.85	11.11	7.41
Population by Geography	125,203	1.06	23.14	57.93	15.13	2.74
Owner-Occupied Housing by Geography	29,249	0.16	16.28	64.23	19.17	0.14
Business by Geography	7,682	1.12	22.61	59.61	16.40	0.26
Farms by Geography	486	0.21	9.47	74.69	14.81	0.82
Family Distribution by Income Level	28,689	21.27	18.14	21.72	38.87	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,307	2.49	34.82	52.45	10.25	0.00
Median Family Income	60,486	Median Housing Value			183,628	
FFIEC Adjusted Median Family Income for 2015	64,800	Unemployment Rate Wicomico County			5.5%	
Households Below Poverty Level	13.47%	Unemployment Rate Somerset County			6.5%	

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2015 HUD updated MFI.

Of the 27 census tracts, one (1) is a low-income geography, seven (7) are moderate-income geographies, 14 are middle-income geographies, three (3) are upper-income geographies, and two (2) have not been assigned an income classification.

The 2010 U.S. Census reported the total population of the AA at 125,203. Within the AA, there are 44,629 households and 28,689 families. There are 51,633 housing units, of which, 56.65 percent are owner-occupied, 29.79 percent are rental-occupied, and 13.56 percent are vacant housing units. Approximately 0.16 percent of owner-occupied housing is located in low-income geographies, 16.28 percent in moderate-income geographies, 64.23 percent in middle-income geographies, and 19.17 percent in upper-income geographies. The median housing cost is \$183,628. The 2010 median income for this

AA was \$60,606, and the 2015 HUD updated median family income is \$64,800. Approximately 21.27 percent of families are low-income, 18.14 percent are moderate-income, 21.72 percent are middle-income, and 38.87 percent are upper-income. Additionally, 31.35 percent of households received social security, 18.30 percent were retired, and 13.47 percent of households were below the poverty level.

According to the Bureau of Labor Statistics, the June 30, 2016 unemployment rate for the Wicomico County was 5.5 percent. The unemployment rate for Somerset County was 6.5 percent.

As of June 30, 2016, FSF had a deposit market share of 0.17 percent and ranked 50th among 100 financial institutions that competed for deposits in the AA.

According to Moody's Analytics, strengths of the AA are a well-developed agricultural economy concentrated in poultry, low cost of living within the Northeast, and strong and improving migration patterns. The weaknesses are below average per capita income, high business costs for a less developed metro area, and parts of the area that are geographically remote.

The OCC utilized information provided through community contacts familiar with the City of Salisbury to determine opportunities for financial institutions to help meet local credit needs. The contact identified multiple needs in the area including (i) accessible affordable housing; (ii) supportive services for the poor including housing, literacy skills training, GED preparation and job preparation; (iii) support for services for the homeless, especially families and veterans, access to jobs that pay a living wage; and (iv) affordable housing for extremely low-income families. The contact stated that local financial institutions are very supportive of the credit needs of the area.

Lending to Borrowers of Different Incomes

FSF's record of lending to borrowers of different income levels in the AA exceeds the standards for satisfactory performance. The percentage of the Bank's lending to moderate-income borrowers exceeded the lending performance by other lenders within the AA as well as the percentage of moderate-income families in the AA. In addition, FSF's percentage of mortgage loans granted to low-income borrowers exceeded the level of lending to low-income borrowers by other lenders. Overall lending to low- and moderate-income persons represented 33.33 percent of AA lending, which compares well to the peer benchmark of 30.57 percent. However, lending performance to low-income borrowers was significantly below the percentage of low-income families residing within the AA, primarily due to the high cost of housing compared to median incomes for low-income families.

The table below shows the distribution of HMDA loans in the AA among borrowers of different income levels for the period of January 1, 2014 through December 31, 2015, as compared to the percentage of families in each income category as well as the aggregate peer performance in 2014, the most recent year for which data is available:

Distribution of First Shore's HMDA-Reportable Loans By Borrower Income Level in the Salisbury MD MSA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Borrower	Number	No. Pct.	Dollar (000)	\$ Percent	Percent Families	2014 Aggregate HMDA
Low = <50%	8	11.11%	\$351	5.55%	21.27%	10.78%
Moderate = 50-79%	16	22.22%	\$1,241	19.82%	18.14%	19.79%
Middle = 80-119%	19	26.39%	\$1,253	19.81%	21.72%	26.44%
Upper = > 120%	29	40.28%	\$3,479	55.01%	38.87%	42.98%
Total	72	100.00%	\$6,324	100.00%	100.00%	100.00%

Source: HMDA – reported data from 01/01/14 – 12/31/15; 2010 U.S. Census data.
Excludes two loans for which borrower income was not available.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable distribution throughout census tracts of different income levels and meets the standards for satisfactory performance. The Bank did not originate any home loans in the low-income geographies within its AAs in the state of Maryland during the review period. Demographics reflect limited lending opportunities as aggregate lending data is very low at 0.13 percent in the low-income geographies. In addition, the percentage of OOHUs is less than one percent in the low-income geographies. The percentage of FSF's lending to moderate-income borrowers was somewhat below the AA demographics and approximated the lending performance by other lenders within the AA during the review period.

The following table illustrates loan originations, categorized by geography income level that were reported by FSF during the review period, and compares this activity to the 2014 aggregate peer data. The table also includes a comparison to the percentages of OOHUs within the AA:

Distribution of First Shore's HMDA-Reportable Loans By Census Tract Income Level in the Salisbury MD MSA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Census Tract	Number	No. Pct.	Dollar (000)	\$ Percent	Percent O.O.H.U.	2014 Aggregate HMDA
Low = <50%	0	0.00%	\$0	0.00%	0.16%	0.13%
Moderate = 50-79%	9	12.16%	\$557	5.73%	16.28%	14.10%
Middle = 80-119%	45	60.81%	\$7,206	74.13%	64.23%	64.89%
Upper = > 120%	20	27.03%	\$1,958	20.14%	19.17%	20.88%
Total	74	100.00%	\$9,721	100.00%	100.00%	100.00%

Source: HMDA – reported data from 01/01/14 – 12/31/15; 2010 U.S. Census data.

Worcester County, MD Assessment Area

Description of Institution's Operations in Assessment Area

First Shore operates four (4) full service branch offices in Worcester County. As of June 30, 2016, retail branch deposits in this AA totaled approximately \$117.3 million and represented 46.59 percent of the Bank's total retail branch deposits.

Description of Assessment Area

The following table summarizes certain demographic characteristics of the AA area based upon information derived from the 2010 Census data:

Demographic Information for Worcester County, MD (Non-Metropolitan) AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	16	0.00	6.25	68.75	18.75	6.25
Population by Geography	51,454	0.00	9.62	67.88	22.50	0.00
Owner-Occupied Housing by Geography	17,310	0.00	6.78	68.43	24.79	0.00
Business by Geography	5,335	0.00	7.07	68.32	24.61	0.00
Farms by Geography	252	0.00	8.33	82.94	8.73	0.00
Family Distribution by Income Level	14,750	16.18	17.59	21.63	44.60	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	4,982	0.00	15.32	65.74	18.95	0.00
Median Family Income		60,486	Median Housing Value			346,496
FFIEC Adjusted Median Family Income for 2015		64,800	Unemployment Rate (2010 US Census)			6.2%
Households Below Poverty Level		9.67%				

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2015 HUD updated MFI.

Of the 16 census tracts, one (1) is moderate-income geography, 11 are middle-income geographies, three (3) are upper income and one (1) has not been assigned an income classification. There are no low-income census tracts in the AA.

The 2010 U.S. Census reported the total population of the AA at 51,454. Within the AA, there are 22,016 households and 14,750 families. There are 55,171 housing units, of which, 31.38 percent are owner-occupied, 8.53 percent are rental-occupied, and 60.09 percent are vacant housing units. Approximately 6.78 percent of owner-occupied housing is located in moderate-income geographies, 68.43 percent in middle-income geographies, and 24.79 percent in upper-income geographies. The median housing cost is \$346,496. The 2010 median income for this AA was \$60,486, and the 2015 HUD updated median family income is \$64,800. Approximately 16.18 percent of families are

low-income, 17.59 percent are moderate-income, 21.63 percent are middle-income, and 44.60 percent are upper-income. Additionally, 40.06 percent of households received social security, 28.75 percent were retired, and 9.67 percent of households were below the poverty level.

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).

Lending to Borrowers of Different Incomes

First Shore meets the standards for satisfactory performance for lending to borrowers of different incomes within the Worcester County AA. The percentage of HMDA-reportable loans granted to low-income borrowers exceeds the level of lending to low-income borrowers by other lenders. While this lending percentage was below the percentage of low-income families residing within the AA, this is primarily due to the high cost of housing compared to median incomes for low-income families. The percentage of the Bank's mortgage lending to moderate-income borrowers was significantly below the AA demographics and below the lending performance by other lenders in the AA. However, overall lending to low- and moderate-income persons represented 13.96 percent of AA lending, which compares well to the peer benchmark of 13.51 percent.

The table below shows the distribution of HMDA loans in the AA among borrowers of different income levels for the period of January 1, 2014 through December 31, 2015, as compared to the percentage of families in each income category as well as the aggregate peer performance in 2014, the most recent year for which data is available:

Distribution of First Shore HMDA-Reportable Loans By Borrower Income Level in Worcester County, MD (Non-Metropolitan) AA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Borrower	Number	No. Pct.	Dollar (000)	\$ Percent	Percent Families	2014 Aggregate HMDA
Low = <50%	9	6.98%	\$609	2.89%	16.18%	4.57%
Moderate = 50-79%	9	6.98%	\$540	2.56%	17.59%	8.94%
Middle = 80-119%	17	13.18%	\$1,723	8.18%	21.63%	12.54%
Upper = > 120%	94	72.87%	\$18,204	86.37%	44.60%	73.96%
Total	129	100.00%	\$21,076	100.00%	100.00%	100.00%

Source: HMDA – reported data from 01/01/14 – 12/31/15; 2010 U.S. Census data.

Excludes one loan for which borrower income was not available.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable distribution throughout census tracts of different income levels and meets the standards for satisfactory performance. There are somewhat limited opportunities for First Shore to originate loans in low- and moderate-income census tracts in the AA as there are no low-income census tracts within the Worcester County AA. While the Bank's lending in moderate-income census tracts was below the percentage of OOHUs in the AA, it exceeds the percentage of lending by peer lenders, the primary comparator for this review.

The following table illustrates geographic distribution of First Shore's lending within the Worcester County AA during the review period, and compares this activity to the 2014 aggregate peer data. The table also includes a comparison to the percentages of OOHUs within the AA:

Distribution of First Shore HMDA-Reportable Loans By Census Tract Income Level in the Worcester County, MD (Non-Metropolitan) AA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Census Tract	Number	No. Pct.	Dollar (000)	\$ Percent	Percent O.O.H.U.	2014 Aggregate HMDA
Low = <50%	0	0.00%	\$0	0.00%	0.00%	0.00%
Moderate = 50-79%	4	3.08%	\$369	1.74%	6.78%	1.75%
Middle = 80-119%	103	79.23%	\$17,740	83.56%	68.43%	75.34%
Upper = > 120%	23	17.87%	\$3,122	14.70%	24.79%	22.91%
Total	130	100.00%	\$21,231	100.00%	100.00%	100.00%

Source: HMDA – reported data from 01/01/14 – 12/31/15; 2010 U.S. Census data.

State of Delaware

CRA Rating for Delaware: Satisfactory

The major factors that support this rating are:

- The distribution of loans to borrowers of different income reflects reasonable proportion throughout the AA;
- The geographic distribution of loans reflects excellent distribution throughout the AA.

Description of Institution's Operations in Delaware

First Shore operates two (2) full service branch offices in the state of Delaware. Both branches are located in Sussex County. As of June 30, 2016, retail branch deposits in this AA totaled approximately \$17.9 million and represented 6.72 percent of the Bank's total retail branch deposits.

Description of the State of Delaware Assessment Area

The Bank's AA within the state of Delaware includes Sussex County (Non-Metropolitan Delaware). FSF designated all 53 census tracts in the Sussex County, DE AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Sussex County is a largely rural area located along Delaware's eastern shore. Rehoboth Beach is a resort area that attracts visitors during the warmer months. Accordingly, as with Worcester County, many of the housing units are vacant during much of the year.

The following table summarizes certain demographic characteristics of the AA based upon information derived from the 2010 Census data:

Demographic Information for the Sussex County (Non-Metropolitan) DE AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	53	0.00	13.21	66.04	20.75	0.00
Population by Geography	197,145	0.00	14.77	73.16	12.07	0.00
Owner-Occupied Housing by Geography	60,623	0.00	11.84	73.46	14.70	0.00
Business by Geography	14,851	0.00	12.75	67.90	19.35	0.00
Farms by Geography	863	0.00	14.60	75.78	9.62	0.00
Family Distribution by Income Level	51,255	20.35	19.31	21.86	38.48	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	20,329	0.00	18.77	73.01	8.22	0.00
Median Family Income		60,486	Median Housing Value			317,846
FFIEC Adjusted Median Family Income for 2015		64,800	Unemployment Rate (2010 US Census)			4.9%
Households Below Poverty Level		10.34%				

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2015 HUD updated MFI.

Of the 53 census tracts, seven (7) are moderate-income geographies, 35 are middle-income geographies, and 11 are upper-income geographies. There are no low-income census geographies in the AA.

The 2010 U.S. Census reported the total population of the AA at 197,145. Within the AA, there are 75,744 households and 51,255 families. There are 119,482 housing units, of which, 50.74 percent are owner-occupied, 12.66 percent are rental-occupied, and 36.61 percent are vacant housing units. Additionally, 39.64 percent of households received social security, 30.06 percent were retired, and 10.34 percent of households were below the poverty level. Approximately 11.84 percent of OOHUs are in moderate-income geographies, 73.46 percent in middle-income geographies, and 14.70 percent in upper-income geographies. The median housing cost is \$317,846. The 2010 median income for this AA was \$60,486, and the 2015 HUD updated median family income is \$64,800. Approximately 20.35 percent of families are low-income, 19.31 percent are moderate-income, 21.86 percent are middle-income, and 38.48 percent are upper-income.

As of June 30, 2016, FSF had a deposit market share of 0.01 percent and ranked 29th among 41 financial institutions that competed for deposits in the AA.

Based upon current information from the Bureau of Labor Statistics, the preliminary unemployment rate (not seasonally adjusted) for Sussex County as of June 30, 2016 was 4.0 percent.

According to Moody's Analytics, strengths for the AA area are (i) business friendly environment, (ii) no sales tax, (iii) attractiveness to retirees, and (iv) the ability to draw well qualified workers from Pennsylvania, New Jersey, and Maryland. The weaknesses

are industrial diversity in the lowest quintile among U.S. states and high dependence on cyclical financial services.

The OCC utilized information provided through community contacts familiar with Sussex County to evaluate credit needs of the community. A community representative indicated that Sussex County is the largest county in Delaware and is located on the tri-state (Delaware, Maryland, Virginia) Delmarva Peninsula. The county consists of both rural and beach resort communities. Agriculture and tourism are the main industries in the county, although manufacturing and healthcare are growing. The population is growing in the county. As such, there is a growing need for additional housing, jobs, schools, services, and infrastructure. The number of retirees moving to the area has also been increasing, which will increase the need for elder services. Housing affordability is a growing concern in the area. The contact stated that there are a number of low-income renters in Delaware that face a housing cost burden. Additionally, tight credit and high sales prices are challenging for first time home buyers, and the affordability gap is growing.

The contact stated that Sussex County is currently undertaking a major initiative to expand broadband internet access to homes and businesses in the Georgetown area. Georgetown is the county seat of Sussex. Also, Bayhealth is constructing a new medical campus in Milford that will help create jobs as well as provide access to needed medical services, particularly for low-income persons. These initiatives could potentially provide opportunities for banks. Banks can also continue to support affordable housing development in the area. According to the contact, the banks in the area are generally very supportive and involved in the community providing support for various non-profit organizations and initiatives.

Conclusions with Respect to Performance Tests in State of Delaware

FSF's performance under the lending test in the State of Delaware is satisfactory.

The record of lending to borrowers of different incomes reflects reasonable proportion. The geographic distribution of loans reflects excellent distribution throughout census tracts of different income levels.

Lending to Borrowers of Different Incomes

First Shore meets the standards for satisfactory performance for lending to borrowers of different incomes within the Sussex County AA. The Bank's percentage of home loans granted to low-income borrowers was below the percentage of low-income families residing within the AA, but it exceeded the level of lending to low-income borrowers by other lenders, our primary comparator. Similarly, the percentage of FSF's mortgage lending to moderate-income borrowers was somewhat below the AA demographics, but it exceeded the lending performance by other lenders within the AA. Overall lending to low- and moderate-income persons represented 24.38 percent of AA lending, which compares well to the peer benchmark of 17.46 percent.

The table below shows the distribution of HMDA loans in the AA among borrowers of different income levels for the period of January 1, 2014 through December 31, 2015, as compared to the percentage of families in each income category as well as the aggregate peer performance in 2014, the most recent year for which data is available:

Distribution of First Shore HMDA-Reportable Loans By Borrower Income Level in Sussex County, DE (Non-Metropolitan) AA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Borrower	Number	No. Pct.	Dollar (000)	\$ Percent	Percent Families	2014 Aggregate HMDA
Low = <50%	14	8.75%	\$956	5.02%	20.35%	5.63%
Moderate = 50-79%	25	15.63%	\$1,879	9.87%	19.31%	11.83%
Middle = 80-119%	27	16.88%	\$1,859	9.77%	21.86%	15.60%
Upper = > 120%	94	58.75%	\$14,339	75.34%	38.48%	66.94%
Total	160	100.00%	\$19,033	100.00%	100.00%	100.00%

Source: HMDA – reported data from 01/01/14 - 12/31/15; 2010 U.S. Census data. Excludes one loan for which borrower income was not available.

Geographic Distribution of Loans

FSF's AA geographic distribution of lending exceeds the criteria for satisfactory performance. Based upon 2010 U.S. Census data, there are no low-income geographies in Sussex County. The distribution of mortgage lending reflects excellent distribution in moderate-income geographies, and exceeded the percentage of OOHU in the respective census tracts as well as the peer lending benchmark.

The following table illustrates loan originations, categorized by geography income level that were reported by FSF during the review period, and compares this activity to the 2014 aggregate peer data. The table also includes a comparison to the percentages of OOHUs within the AA:

Distribution of First Shore HMDA-Reportable Loans By Census Tract Income Level in the Sussex County, DE (Non-Metropolitan) AA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Census Tract	Number	No. Pct.	Dollar (000)	\$ Percent	Percent O.O.H.U.	2014 Aggregate HMDA
Low = <50%	0	0.00%	\$0	0.00%	0.00%	0.00%
Moderate = 50-79%	21	12.16%	\$2,002	10.07%	11.84%	6.51%
Middle = 80-119%	125	60.81%	\$12,590	63.35%	73.46%	65.92%
Upper = > 120%	15	27.03%	\$5,281	26.57%	14.70%	27.57%
Total	161	100.00%	\$19,873	100.00%	100.00%	100.00%

Source: HMDA – reported data from 01/01/14 – 12/31/15; 2010 U.S. Census data.