

First United Corporation

Corporate Governance Guidelines

1. Director Qualification Standards

A majority of the members of the Board of Directors must qualify as independent directors in accordance with the applicable provisions of the Securities Exchange Act of 1934, and the rules promulgated there under and the applicable rules of NASDAQ.

The Board should select new, incumbent nominees or nominees to fill vacancies based upon the recommendation of the Nominating & Governance Committee. The Board should consider qualifications and characteristics that the Board from time to time deems appropriate, including integrity, business experience, education, accounting and financial expertise, age, diversity, reputation, civic and community relationships, and knowledge and experience in matters impacting financial institutions.

Directors are expected to advise the Chairman of the Board and the Chairman of the Nominating & Governance Committee promptly upon accepting any other public company directorship or any assignment to the audit committee or compensation committee of the board of directors of any public company of which such director is a member.

No director shall serve as a director, officer or employee of a competitor of the Company.

2. Director Responsibilities

Directors should exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company in a manner consistent with their fiduciary duties. Board attendance is directly correlated to board participation and thereby to the success of the organization in furthering its mission. Directors are expected to attend shareholder meetings, a minimum of 75% of board meetings and committee meetings for which they are a member and to take advantage of educational opportunities. Directors may attend by telephone to mitigate scheduling conflicts but are encouraged to attend in person whenever possible. Directors who are unable to attend a meeting should notify the Chairman of the Board, Lead Director or Board Secretary in advance of the meeting. To prepare for meetings, directors should review any materials that are sent to directors in advance of those meetings.

The role of Chairman and CEO will remain combined and a Lead Director will be appointed. The Lead Director will be the Director serving as the Chair of the Nominating & Governance Committee.

The Board of Directors of the Company will schedule regular executive sessions where non-outside directors are not in attendance. The executive session will be chaired by the Lead Director.

The Board of Directors shall at all times maintain an Audit Committee, a Nominating & Governance Committee and a Compensation Committee which must operate in accordance with applicable law, their respective charters as adopted and amended from time to time by the Board, and the applicable rules of the Securities and Exchange Commission and NASDAQ.

The Board may also establish such other committees as it deems appropriate and delegate to such committees such authority permitted by applicable law and the Company's by-laws as the Board sees fit.

The Board of Directors shall appoint the members of the various committees considering the views of the Chairman of the Board and the Chief Executive Officer, as appropriate. Each Director will be assigned to a minimum of three (3) committees. The number of directors on each committee may vary from time to time dependent upon the needs of the organization and the total number of directors servicing on the Board. The frequency of committee meetings may also vary from year to year dependent upon the needs of the organization.

Directors shall preserve the confidentiality of confidential material given or presented to the Board of Directors.

3. Board Presentations and Management Attendees

Management presentations and participation are encouraged to allow directors to gain additional understanding and insight into the Company's businesses and related issues. Therefore, at the invitation of the Board, members of senior management may attend Board meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Board will be made by the manager responsible for that area of the Company's operations.

In addition, selected management representatives will function as liaisons for each of the Board committees for which they have subject matter expertise.

4. Director Access to Management and Independent Advisors

The Company shall provide each director with complete access to the management of the Company. The Board of Directors and Board committees, to the extent set forth in the applicable committee charter, have the right to consult and retain independent legal and other advisors at the expense of the Company.

5. Director Compensation

The Board of Directors or an authorized committee thereof will determine and review the form and amount of director compensation, including cash, equity-based awards and other director compensation. Similarly, the Board of Directors will be aware that the independence of directors could be questioned if substantial charitable contributions are made to organizations in which a director is affiliated or if the Company enters into consulting contracts with, or provides other indirect compensation to a director. The Board of Directors will critically evaluate each of these matters when determining the form and amount of director compensation, and the independence of a director.

6. Director Orientation and Continuing Education

The Board of Directors of the Company will direct Management to establish, or identify and provide access to, appropriate orientation programs, sessions or materials for newly elected directors of the Company for their benefit either prior to or within a reasonable period of time after their nomination or election as a director. The Board of Directors of the Company will encourage, but not require, directors to periodically pursue or obtain appropriate programs, sessions or materials as to the responsibilities of directors of publicly-traded companies.

7. Management Evaluation and Succession

The Board of Directors (not including any members of management of the Company) will conduct an annual review of the performance and compensation of the Chief Executive Officer, using the views and recommendations of the Compensation Committee, as applicable, and as set forth in the Charter.

The Board of Directors will establish and review such formal or informal policies and procedures, consulting with the Nominating & Governance Committee, the Chief Executive Officer and others, as it considers appropriate, regarding succession to the Chief Executive Officer in the event of emergency or retirement.

The Chief Executive Officer is to provide a report on succession planning and related development recommendations to the Nominating & Governance Committee at a minimum of every two years. The plan should include a short-term succession plan delineating temporary delegation of authority in the event that the Chief Executive Officer or any other executive officer or key employee is unexpectedly unable to perform his or her duties.

8. Term Limits and Retirement Age

Directors are divided into three classes, as nearly equal in number as possible, with respect to the time for which the Directors may hold office. Each Director is elected to hold office for a term of three years, and the terms of one class of Directors expire each year. At each annual meeting of shareholders, the shareholders shall vote upon that class of Directors standing for re-election. In all cases, Directors serve until their successors are duly elected and qualify.

A Director is not eligible to stand for re-election if the Director is age 72 or older as of the record date of the annual meeting of shareholders. If in the year of re-election, the Director will reach the age of 72 after the record date of the annual meeting of shareholders, the Director is eligible to stand for re-election for the three-year term.

9. Frequency and Length of Committee Meetings

The Chairperson of each committee, in consultation with committee members and with input from management and consistent with regulations, will determine the frequency and length of the meetings of the committee.

10. Committee Agendas

The Chairperson of each committee, in consultation with committee members and appropriate members of management and staff, will develop the committee's agenda.

11. Selection of Agenda Items for Board Meetings

The Chairman of the Board and the Chief Executive Officer will propose the agenda for each Board meeting. Each Board member is free to suggest the inclusion of item(s) on the agenda.

12. Annual Review of Audit Committee Members

On an annual basis, the Board of Directors will use set criteria to determine whether Audit Committee members are outside directors and independent of Management.

13. Annual Performance Evaluation of the Board

The Board of Directors will conduct a self-evaluation annually to determine whether it and its committees are functioning effectively. The full Board of Directors will discuss the evaluation report to determine what, if any, action could improve Board and Board committee performance. The Board of Directors, with the assistance of the Nominating & Governance Committee, as appropriate, shall review these Corporate Governance Guidelines on an annual basis to determine whether any changes are appropriate.

14. Amendment, Modification and Waiver

These Guidelines may be amended, modified or waived by the Board of Directors and waivers of these Guidelines may also be granted by the Nominating & Governance Committee, subject to the disclosure and other provisions of the Securities and Exchange Act of 1934, the rules promulgated thereunder and the applicable rules of NASDAQ.

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