

First United Corporation Audit Committee Charter

Purpose

The Audit Committee is appointed by the Board of Directors to assist the Board in monitoring: (1) the integrity of the financial statements of First United Corporation (the “Corporation”); (2) the independent auditor’s qualifications and independence; (3) the performance of the Corporation’s internal audit function and independent auditors; and (4) the compliance by the Corporation with certain legal and regulatory requirements.

Committee Membership

The Audit Committee must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom must: (i) be an Independent Director as defined under Rule 5605(a)(2); (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Act (subject to the exemptions provided in Rule 10A-3(c) under the Act); (iii) not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; and (iv) be able to read and understand fundamental financial statements, including a Company's balance sheet, income statement, and cash flow statement. Additionally, the Audit Committee must certify that it has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies. The members of the Audit Committee shall be appointed by the Board and shall serve until their successors are appointed and qualify. Audit Committee members may be removed and replaced by the Board at any time.

Meetings

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee shall meet periodically with management, the internal auditors and the independent auditor in separate executive sessions. The Audit Committee may request any officer or employee of the Corporation or the Corporation’s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Audit Committee shall regularly report on Audit Committee activities to the full Board.

Committee Authority and Responsibilities

The Audit Committee shall have the sole authority to appoint and replace the independent auditor. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of

preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Corporation by its independent auditor, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act (or any amendment or successor thereto), which are approved by the Audit Committee prior to the completion of the audit.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall perform an annual self-assessment of its performance with the goal of continuing improvement and will report on such assessment and any recommendations with respect thereto, to the full Board.

The Audit Committee shall have the authority to, where appropriate, designate one or more of its members to perform certain of its duties on its behalf, subject to such reporting to or ratification by the Audit Committee as the Audit Committee shall direct.

Without limiting the foregoing, the Audit Committee, to the extent it deems necessary or appropriate, shall:

Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditor the annual audited financial statements, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” to be included in the Corporation’s Annual Report on Form 10-K, and, if deemed appropriate, recommend to the Board that the audited financial statements be included in the Corporation’s Annual Report on Form 10-K.
2. Discuss with management and, on an exception basis, the independent auditor the Corporation’s quarterly financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” to be included in the Corporation’s Quarterly Reports on Form 10-Q, prior to the time such reports are filed, including the results of the independent auditor’s review of the quarterly financial statements.
3. Discuss with management and, on an exception basis, the independent auditor the Corporation’s quarterly earnings press releases, including the use of “pro forma”

or “adjusted” non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.

4. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Corporation’s financial statements, including the quality, not just the acceptability, of the Corporation’s accounting principles, any significant changes thereto, any major issues related to the adequacy of the Corporation’s internal controls and procedures, and any special steps adopted to address material control deficiencies.
5. Review and discuss, as necessary, reports from the independent auditors on:
 - (a) All critical accounting policies and practices to be used;
 - (b) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
 - (c) Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
6. Review and approve the Provision for Loan Losses and the adequacy of the Reserve for Probable Loan Losses.
7. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation’s financial statements.
8. Discuss with management the Corporation’s major financial risk exposures and the steps management has taken to monitor and control such exposures.
9. Discuss with the independent auditor the matters required to be discussed by PCAOB Auditing Standard No. 1301, Communications with Audit Committees, relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
10. Review disclosures made to the Audit Committee by the Corporation’s CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls and procedures or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation’s internal control and procedures.

11. Review and approve all related-party transactions as defined from time to time by NASDAQ and/or the SEC.
12. Prepare the report required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Corporation’s annual proxy statements.

Oversight of the Corporation’s Relationship with the Independent Auditor

13. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
14. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.
15. Obtain and review annually a report from the independent auditor describing the independent auditor’s internal quality-control procedures; and any material issues raised by the most recent internal quality-control review or peer review or by any inquiry or investigation by governmental or professional authorities.
16. Recommend to the Board policies for the Corporation’s hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Corporation.
17. Obtain and review annually a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Corporation (“Statement as to Independence”), addressing each non-audit service provided to the Corporation and at least the matters set forth in Independence Standards Board No. 1.
18. The Committee shall ensure that engagement letters and any related agreements with the independent public accountant for services to be performed do not contain any limitation of liability provisions that:
 - (a) Indemnify the independent public accountant against claims made by third parties;
 - (b) Hold harmless or release the independent public accountant from liability for claims or potential claims that might be asserted by the client insured depository institution, other than claims for punitive damages; or
 - (c) Limit the remedies available to the client insured depository institution.

Alternative dispute resolution agreements and jury trial waiver provisions are not precluded from engagement letters provided that they do not incorporate any limitation of liability provisions set forth in the paragraph above.

Oversight of the Corporation's Internal Audit Function

19. Review the appointment and replacement of the Corporation's Internal Audit Manager.
20. Review the significant reports to management prepared by the Internal Audit Department together with management's responses and follow-up to these reports.
21. Discuss Internal Audit Department responsibilities, budget, qualifications and staffing and any recommended changes in the planned scope of the Internal Audit Department with management and the independent auditor.
22. The Committee shall review outstanding findings and management responses from reviews performed by Internal Audit, Compliance, Loan Review, External Reviews, and the external auditor's Management Letter.

Compliance Oversight Responsibilities

23. Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act (communication of illegal acts) has not been implicated.
24. Obtain reports from management and the Corporation's Internal Audit Manager that the Corporation is in conformity with applicable legal requirements and the Corporation's Code of Ethics.
25. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's Code of Ethics.
26. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports, which raise material issues regarding the Corporation's financial statements or accounting policies.
27. Discuss with legal counsel to the Corporation any legal matters that may have a material impact on the financial statements or the Corporation's compliance policies.
28. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
29. The members of the Audit Committee shall designate the Chairperson of the Audit Committee annually. This will take place during the first meeting of the Committee following the corporate reorganization meeting.

Revised 02/07/18
Reviewed 01/09/19
Approved 02/19/19