

ANNUAL REPORT 2022

Purpose at Work



First United
Corporation



Our purpose is to enrich the lives of our associates, customers, communities, and shareholders through our vision of providing uncommon service and customized financial solutions. Every day, we embrace our **My Bank** values to help build vibrant communities where people can lead healthier and happier lives in a better, safer place to live, work and play.



2022

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Dear Associates, Customers and Communities, and Shareholders,

At First United, we are celebrating our success and a record earnings year in 2022, all of which is supported by our continued commitment to our core values and culture. We are devoted to giving our associates an uncommon experience, delivering customized service to our customers, and helping our communities create initiatives that promote health, contentment, and security. Our shareholders benefit from this commitment and all stakeholders may be assured that we are dedicated to delivering value.

We are proud to say that our financial performance was the result of our purpose-driven and knowledgeable associates. We are passionate about our purpose, and we invest in our team members by offering the resources they need to succeed. We value their expertise and commitment to our customers, and we aim to help them reach their potential. This culture of support and trust is essential to our continued success and has allowed us to remain competitive in the market.

**We are passionate
about giving back
and serving as a
partner in each of the
communities we serve.**

In 2022, we saw strong growth in our loan, deposit, and wealth management portfolios. Our commercial group led our lending production, and our steady deposit growth was fostered by additional local municipal and non-profit account balances. This led to an increase in the balance sheet as our total assets grew to \$1.8 billion at December 31, 2022. We achieved \$125.8 million in loan growth, and we added \$101.4 million in deposits during the year as we continued our focus on growing our customer relationships. Net income in 2022 was \$25.0 million, another milestone for our First United! Basic and diluted net income per share for 2022 were \$3.77 and \$3.76, respectively, representing a 27.5% increase when compared to basic and diluted net income per share of \$2.95 for 2021. The increase in net income was the result of the manner in which we positioned our balance sheet in anticipation of rising interest rates, our intense margin management throughout the year and our keen expense control. Margin and net interest income increased due to our ability to manage deposit rates early in the year when rates were on the rise. We ended 2022 with a 3.56% margin, a significant increase from the 3.28% margin in 2021.

While we expect the coming year to present pricing challenges and require continued expense discipline, our associates are working proactively to protect our margin. Wealth income was impacted by the negative stock and bond markets as our fees are based on the market value of assets under management. Despite strong production adding fee revenue of \$2.2 million, we experienced a decline in assets under management from approximately \$1.5 billion at December 31, 2021 to \$1.4 billion at December 31, 2022, directly attributable to the markets. We were able to offset the decline in other income through expense control contributing to a continued positive trend in our efficiency ratio, which ended the year at 56.4%.

Strong asset quality in 2022, driven by low delinquencies, low charge-off activity and stable non-performing loans, allowed us to release a portion of the allowance for loan losses to bring it in line with pre-pandemic levels. This resulted in a credit in provision expense for the year, contributing to our strong annual earnings.

Shareholder

We believe that the level of the allowance remains adequate as we monitor our loan portfolio closely during these volatile times. Economic data is showing that consumers and businesses are feeling the impact of high inflation, rising rates and the continued stress in the supply chain. In this uncertain economic environment, our customers are turning to us as their trusted advisor. We strive to provide them with the highest level of service and guidance, and our strong asset quality, financial stability and capital give us the capacity to continue our long history of providing reliable financial solutions. We can offer our customers the security and peace of mind that comes with knowing they have knowledgeable financial advisors ready to help them when needed. We value the trust they have placed in us, and we are committed to providing innovative solutions that meet their financial goals.

We recognize the importance of taking a long-term approach to our financial performance. When we make decisions, we make sure to thoughtfully consider the implications of our actions for the future. We do not take unnecessary risks and we focus on sustainable growth. This approach has led to us surpassing our financial goals. While the markets have been challenging recently, First United has fared well over the long-term, compared with peers. As of February 28, 2023, our total shareholder return, including price changes

and reinvested cash dividends, was 52% for three-years and 18% over five-years. The dividend was increased from \$0.15 per share to \$0.18 per share in the final quarter of 2022. Based on a closing price of \$19.52 per share on February 28, 2023, the current dividend annualized results in a dividend yield of 3.69%.

We also recognize the importance of investing in our most important asset, our associates, who are key drivers of our financial performance.

As part of our long-term approach to performance, we believe it is essential to continuously invest in the stakeholders that drive our business forward. We are passionate about giving back and serving as a partner in each of the communities we serve. This is not limited to delivering innovative financial products and services but extends to meaningful financial partnerships and volunteerism. As we announced last year, we created the First United Community Dreams Foundation

and we are delighted to inform you that, in 2022, the Foundation and the Bank, collectively, provided financial grants and donations that exceeded \$343,000. These funds supported financial literacy programs, affordable housing, healthy and active families, the arts, and cultural programs as well as fostering vibrant and equitable neighborhoods. We are proud to help make a lasting difference and are committed to helping our communities strive for a healthier, happier, and safer tomorrow.

We also recognize the importance of investing in our most important asset, our associates, who are key drivers of our financial performance. During 2022, we focused on expressing our gratitude to our associates in several ways, including the opportunity for our associates to travel with their families to a local amusement park for a day of fun and camaraderie, special home deliveries during the year-end holiday season, and bonuses to recognize performance. Importantly, we offer every associate the opportunity to join you as

shareholders of First United through the gift of stock to all who choose to participate. We believe this strengthens our alignment with you, our shareholders, and encourages a long-term approach to outstanding financial performance.

As we move into 2023, we understand the importance of a knowledgeable and community-oriented workforce. We will continue to hire and retain passionate, diverse talent and are working to create an inclusive and engaging environment that encourages growth and individual development. This will enable us to engage with existing and prospective customers across broader demographics, and to provide customized financial solutions and personalized service, thereby expanding our customer relationships to enhance loyalty and trust. We will use technology and data analytics to boost the efficiency and profitability of our business lines, products, and customer base. We will also optimize our operating network through additional market penetration, making better use of physical space, and capitalizing on opportunities for growth and acquisition. As we carry out this plan, we pledge to be responsible stewards and remain mindful of our customers' wellbeing and our environment by continually assessing and monitoring our established enterprise risk management program.

We thank you, our investors, for the unwavering confidence that you have shown in First United. We understand that the loyalty of our shareholders is invaluable to our company, and we are dedicated to expressing our gratitude by delivering a strong shareholder return.

Carissa L. Rodeheaver

John W. McCullough



Carissa L. Rodeheaver
Chairman of the Board, President
and Chief Executive Officer



John W. McCullough
Lead Director

Board of Directors

Brian R. Boal



Beth E. Moran



Hoye Andrew Walls III



Patricia Milon



I. Robert Rudy



Marisa A. Shockley



Sanu Chadha



Christy DiPietro



John F. Barr

Summary of Selected Financial Data

(Dollars in thousands, except per share data)

	2022	2021	% Change
Results of Operations:			
Tax-equivalent interest income	\$ 63,362	\$ 59,195	7.04%
Interest expense	4,789	5,714	-16.19%
Tax-equivalent net interest income	58,573	53,481	9.52%
Tax-equivalent adjustment	940	939	0.11%
Credit for loan losses	(643)	(817)	-21.30%
Net interest income after provision for loan losses	58,276	53,359	9.21%
Non-interest income	18,050	20,749	-13.01%
Operating non-interest income	17,878	19,519	-8.41%
Non-operating non-interest income:			
Net gains-other	\$ 172	\$ 1,230	-86.02%
Non-interest expenses	43,145	47,799	-9.74%
Operating non-interest expenses	43,145	47,799	-9.74%
Income before income taxes	\$ 33,181	\$ 26,309	26.12%
Income tax expense	8,133	6,539	24.38%
Net income	25,048	19,770	26.70%
Common dividends paid	3,986	3,891	2.44%
Net income per FTE (Pre-tax)	\$ 104,343	\$ 91,990	13.43%
Per Share Data:			
Basic net income per share	\$ 3.77	\$ 2.95	27.80%
Diluted net income per share	\$ 3.76	\$ 2.95	27.46%
Common dividends paid	\$ 0.60	\$ 0.58	3.45%
Book value (at year end)	\$ 22.77	\$ 21.41	6.35%
Tangible book value (at year end)	\$ 20.90	\$ 19.61	6.63%
Financial Condition (at year end):			
Assets	\$1,848,169	\$1,729,838	6.84%
Net loans	1,264,684	1,137,440	11.19%
Investment securities	361,548	343,030	5.40%
Deposits	1,570,733	1,469,374	6.90%
Shareholders' equity	151,793	141,900	6.97%
Performance Ratios (for the year):			
Return on average equity	18.19%	14.92%	
Return on average assets	1.39%	1.12%	
Yield on average interest-earning assets	3.85%	3.63%	
Rate on average interest-bearing liabilities	0.44%	0.51%	
Net interest spread	3.41%	3.12%	
Net interest margin	3.56%	3.28%	
Efficiency ratio	56.40%	64.71%	
Capital and Credit Quality Ratios:			
Average equity to average assets	7.64%	7.51%	
Total risk-based capital ratio	16.12%	15.89%	
Tier 1 to risk weighted assets	15.06%	14.64%	
Tier 1 to average assets (leverage)	11.46%	10.80%	
Common equity tier 1 to risk weighted assets	12.96%	12.50%	
Allowance for loan losses to total loans (as %)	1.14%	1.38%	
Nonperforming and 90 days past due loans to total assets (as %)	0.46%	0.42%	
Net (charge-offs)/recoveries to average loans (as %)	(0.06)%	0.02%	

model helpfulness



Our approach to personalized service is centered around building valuable connections that are timeless. Our mission is to enhance the lives of both our customers and team members by providing exceptional service, innovative solutions, and a combination of modern values and traditional friendliness. We firmly believe in hard work and dedication, and just like the people we serve, we actively participate in and support local communities. We take pride in being helpful and strive to build long-lasting relationships within our community.

My bank is mindful.

yield to the customer

At First United, we prioritize the needs of others. We believe in going above and beyond to provide exceptional service; listening and being curious to understand each person's unique situation. We take the time to pause a moment to truly understand each individual and situation, to find effective solutions and offer valuable guidance that suits your needs. Our goal is to create a meaningful experience that exceeds expectations and leaves our customers feeling satisfied and create a meaningful experience by doing more than what is anticipated.

My bank is accommodating.



Be passionate

Being of service to others is truly inspiring. Our focus is on helping others realize their aspirations and enhance their quality of life. We work towards aiding people in achieving their goals that may be difficult to achieve alone. We are dedicated to nurturing businesses, improving the community, and fostering lasting relationships. We make the community a better place. We are proud to carry on the tradition of a community bank that is an important part of our customers' lives. We are truly passionate about our purpose, the work we do and the people we help.

My **bank** is dynamic.



adapt solutions

We are attentive listeners and customize our services to your individual needs. We respect each customer's unique preferences, and our flexibility allows us to deliver an uncommon experience. We believe in ourselves and our bank, and our passion for helping others drives us to seek out solutions that enhance your quality of life and contribute to the growth of our community.

My **bank** is innovative.



nuture trust

As trusted advisors, we value the importance of trust and work hard to maintain it. Our team consists of knowledgeable professionals who continuously strive to enhance their skills, both intellectually and emotionally. We strive for excellence in everything we do and understand the importance of personalized service and individual development. We value teamwork, mutual respect, and above all, earning your trust. It is a responsibility we hold dear, and one that we take very seriously.

My bank is unwavering.



keep it personal

Our approach to banking is all about the personal touch. Our team is genuinely interested in getting to know you and your financial and personal goals. Our family-oriented culture encourages us to build strong relationships and our passion lies in finding solutions to even the most complex situations. At our core, we hold dear the timeless ideals of trust, friendship, and empathy, and our unwavering commitment to prioritize your purpose.

My bank is adaptive.



Dreams



Fo

First United Corporation has been guided by our mission to enrich the lives of others. Our service to our communities is not limited to delivering innovative banking products and services. Rather, we believe it nurtures, helps and partners with the people and organizations striving to make our communities a better, safer place to live, work and play.

Knowing our communities look to us for help, we created the First United Community Dreams Foundation as another way for us to be their financial partner.

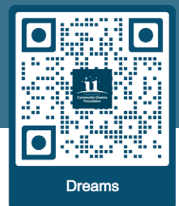




oundation

The Dreams Foundation provides support to local nonprofits, institutions, schools and other 501(c)(3) organizations who offer essential services and programs that make people healthier, happier, and safer in the communities that we serve.

We believe that a vibrant community is the cornerstone of a high quality of life. In 2022, in addition to the over \$288,000 funded by First United Bank & Trust, the Dreams Foundation funded over \$61,000 to organizations in our footprint.



Community

We love to see our communities thrive. Our team is dedicated to our shared purpose and committed to a common goal. Our zeal to serve others, contribute towards the progress of our community and lend a hand in every possible way is what fuels our passion. Carefully cultivated relationships, uncommon service and a dedication to customize solutions set us apart.





My Bank inspires others.

Please contact our transfer agent, Computershare, if you need assistance in any of the following areas:

- Change in registration
- Reporting lost certificates
- Non-receipt or loss of dividend checks
- Information on dividend reinvestment plan

Computershare

Phone

1-781-575-2622 or Toll Free 1-866-298-7858

Computershare
P.O. Box 43078
Providence, RI 02940-3078

Courier Delivery:
Computershare
150 Royall St., Suite 101
Canton, MA 02021

Return envelopes for the proxy:

P.O. Box 43101, Providence, RI 02940-5067

Questions & Inquiries via our website

<http://www.computershare.com/investor>

Hearing Impaired #: TDD: 1-800-952-9245

First United-Direct Line: 1-866-298-7858

TDD for Hearing Impaired: 1-800-952-9245

Foreign Shareowners: 1-781-575-2622

TDD for Hearing Impaired: 1-781-575-2692

Shareholders' Meeting

The Annual Shareholders' Meeting will be held at Wisp Resort on:
Thursday, May 11, 2023, 9:00 a.m.

SEC Form 10-K

The Corporation files an annual report on Form 10-K with the Securities and Exchange Commission. This statement can be found on our investor relations website at <http://investors.MyBank.com> or you may request to receive a copy by calling us at 1-888-692-2654. A statement may also be requested by mail, without charge, to any shareholder who requests it in writing to:

Tonya K. Sturm
Corporate Secretary
First United Corporation
c/o First United Bank & Trust
19 South Second Street
Oakland, MD 21550

Want to stay up-to-date? Sign up for shareholder communications at www.MyBank.com/shareholder





MyBank.com

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