



**Together,
Your
Tomorrow
Happens.**

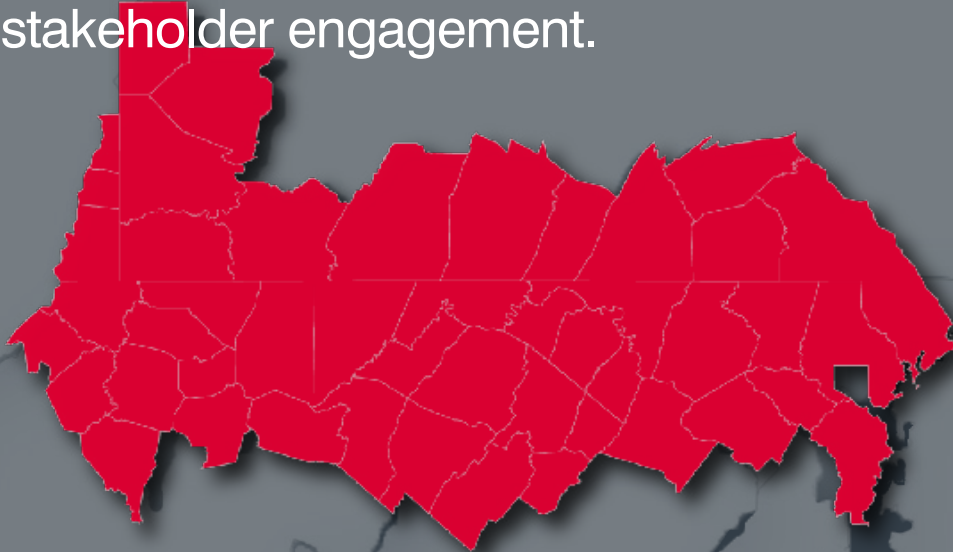
**2023
Annual Report**

We know **our responsibility** to those who have a vested interest in our success.

We seek to make decisions that balance the needs of **our partners and the constituents we serve.**

We understand the importance of considering regulatory, **economic**, environmental, and social risks when making business decisions.

We strive to balance these considerations through our **deep commitment** to stakeholder engagement.



SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data)

	2023	2022	% Change
Results of Operations:			
Tax-equivalent interest income	\$ 81,783	\$ 63,362	29.07%
Interest expense	24,286	4,789	407.12%
Tax-equivalent net interest income	57,497	58,573	-1.84%
Tax-equivalent adjustment	627	940	-33.30%
Total credit loss expense/(credit)	1,620	(627)	-358.37%
Net interest income after expense/(credit) for credit losses	55,250	58,260	-5.17%
Noninterest income	14,469	18,050	-19.84%
Operating noninterest income	18,331	17,878	2.53%
Non-operating noninterest income:			
Net (losses)/gains-other	\$ (3,862)	\$ 172	-2345.35%
Noninterest expenses	50,243	43,129	16.49%
Operating noninterest expenses	50,243	43,129	16.49%
Income before income taxes	19,476	33,181	-41.30%
Income tax expense	4,416	8,133	-45.70%
Net Income	15,060	25,048	-39.88%
Common Dividends paid	5,217	3,986	30.88%
Net Income per FTE (Pre-tax)	\$ 60,863	\$ 104,343	-41.67%
Per Share Data:			
Basic net income per common share	\$ 2.25	\$ 3.77	-40.32%
Diluted net income per common share	\$ 2.25	\$ 3.76	-40.16%
Common Dividends paid	\$ 0.78	\$ 0.60	30.00%
Book value (at year end)	\$ 24.38	\$ 22.77	7.07%
Tangible book value (at year end)	\$ 22.56	\$ 20.91	7.89%
Financial Condition (at year end):			
Assets	\$ 1,905,860	\$ 1,848,169	3.12%
Deposits	1,550,977	1,570,733	-1.26%
Net loans	1,388,847	1,264,684	9.82%
Investment Securities	311,466	361,548	-13.85%
Shareholders' equity	161,873	151,793	6.64%
Performance Ratios (for the year):			
Return on average equity	9.65 %	18.19 %	
Return on average assets	0.77 %	1.39 %	
Yield on average interest-earning assets	4.63 %	3.85 %	
Rate on average interest-bearing liabilities	1.95 %	0.44 %	
Net interest spread	2.68 %	3.41 %	
Net interest margin	3.26 %	3.56 %	
Efficiency ratio	65.12 %	56.40 %	
Capital and Credit Quality Ratios:			
Average equity to average assets	8.01 %	7.59 %	
Total risk-based capital ratio	15.64 %	16.12 %	
Tier 1 to Risk Weighted Assets	14.42 %	15.06 %	
Tier 1 to Average Assets (leverage)	11.30 %	11.46 %	
Common Equity Tier 1 to Risk Weighted Assets	12.44 %	12.96 %	
Allowance for credit losses to total loans (as %)	1.24 %	1.14 %	
Nonperforming and 90 days past due loans to total assets (as %)	0.47 %	0.46 %	
Net charge-offs to average loans (as %)	(0.07) %	(0.06) %	

Dear Associates, Customers, Communities and Shareholders,

Amid the chaos that characterized 2023, **community** banking emerged as a beacon of stability. While bank failures and economic turmoil rocked the financial industry, First United stood strong, thanks to our commitment to uncommon service and customized financial solutions.

As a community bank, we understand the importance of being responsive to the needs of our customers. By remaining nimble, staying true to our values and leveraging our expertise, we were able to serve as a trusted partner who offered the personalized guidance needed during these everchanging circumstances.

We believe that our role as a community bank goes beyond just financial transactions; it is about building relationships and fostering trust within our local communities. We believe in the power of local connections and the value in helping others. We understand the role we play in creating a thriving community, and we embody the spirit of innovation. In doing so, First United has proven itself to be a reliable and trustworthy ally.


Despite the industry chaos and economic challenges of 2023, your Company reported non-GAAP net income of \$18.8 million, exclusive of non-core expenses of \$3.7 million, net of tax. Including these expenses, net income was \$15.1 million and was driven by strong loan growth, tight margin control and steady wealth and debit card income.

We believe that community banks are, and always will be, the lifeblood of the communities they serve and the stability amidst the chaos of the economic, political, and regulatory environments.

Challenges compared to 2022 included rapidly rising deposit costs, proactive maintenance of our allowance for credit losses, and increased expenses resulting from the competitive labor markets, unusually high health insurance claims and increased check fraud expense. We also executed on two long-term strategies involving a restructure of the balance sheet as we sold investments at a loss and consolidated our branch network.

While we recognized \$3.7 million in after-tax, non-core expenses in the fourth quarter due to execution of these strategies, we believe we will reap the rewards in future earnings. The increased efficiency ratio of 65.12% reflected these strategies as well as the reduced net interest income from margin contraction.

Quickly following the industry events in the first quarter of 2023 that resulted in several bank closures and liquidity concerns for the industry, your management team took precautionary actions and increased liquidity on the balance sheet. Pricing challenges and the cost of the additional liquidity resulted in net interest margin compression. However, when compared to peers, First United performed admirably in the face of these difficulties, and we ended 2023 with a net interest margin of 3.26%. This represented a margin decrease of only .30% in 2023 in an interest rate environment that was impacted by the Federal Reserve's increase of over 5.0% in the overnight borrowing rate.



We took precautionary actions and increased liquidity to provide peace of mind for our stakeholders.

The team remained vigilant and nimble throughout the year, focused on providing peace of mind, a safe and secure banking option and the stability of a 124-year-old trusted community bank.

Our balance sheet remained strong through this commotion, upheld by excess capital, strong cash positions and high-quality investments and loans. While deposit levels declined due to the competitive pricing landscape and inflationary spending, steady residential and commercial loan demand resulted in \$127.2 million in loan growth, and high levels of production in our wealth division provided a diversified revenue stream not directly tied to interest rates. The result was a growth of total assets to \$1.9 billion at December 31, 2023.

As of February 29, 2024, our total shareholder return, including price changes and reinvested cash dividends, was 24.71% for one-year, 61.76% for three-years and 63.03% for five-years. Based on a closing price of \$22.10 per share on February 29, 2024, the current dividend of \$.20 per share annualized, resulted in a dividend yield of 3.62%.

Looking ahead, we will continue to hire and retain passionate, diverse individuals who will foster collaboration and communication. We will leverage technology to enhance efficiency and user experience, aiming to broaden the utilization of our products and services.



We also aim to strengthen our relationships with community-oriented business owners and broaden our outreach initiatives to increase our non-interest income as a percentage of overall revenue, reducing our reliance on the net interest margin. Along with continued focus on resource optimization, we will also look to enhance market share and execute tactics to optimize our geographic presence.

Despite the ever-changing circumstances we face, First United remains steadfast in our dedication to helping individuals and businesses navigate times of uncertainty. By continually fostering strong relationships and offering a comprehensive range of financial services for all aspects of financial well-being, we will work to support our customers in achieving their financial goals and objectives.

Our unwavering commitment is not just a testament to our resilience, but also a reflection of the positive influence that community banking has on our communities.

Our unwavering commitment is not just a testament to our resilience, but also a reflection of the positive influence that community banking has on our communities. We remain dedicated to our role as a community bank and understand the importance of strong leadership to drive growth, not just for our Company, but also for the economic prosperity of the communities we serve.

**We are
and always will be your bank, our bank,
MY BANK.**

While it might be old-fashioned, we believe that community banks are, and always will be, the lifeblood of the communities they serve and the stability amidst the chaos of the economic, political, and regulatory environments. We also believe that our focus on delivering an uncommon commitment to service and customized financial solutions will continue to be the foundation of delivering a profitable long-term total return to you, our shareholders.

We thank you, our investors, for your steadfast support of First United and we thank our passionate, loyal associates who remain devoted to delivering excellent service and being trusted financial advisors. Finally, we thank our customers who give their best for their businesses, their families, their communities, and their futures, for their belief in community banking. We are proud to be a community bank. We are and always will be your bank, our bank, MY BANK!

Carissa L. Rodeheaver

BB



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



Brian R. Boal
Lead Director, Principal,
Boal & Associates, PC

Board of Directors



John F. Barr



Sanu B. Chadha



Christy M. DiPietro



Kevin R. Hessler



Patricia A. Milon



Beth E. Moran



I. Robert Rudy



Marisa A. Shockley



Hoye Andrew Walls, III

Guide. Serve. Thrive.

Strong Focus on Local Business

We guide business and commercial customers to reach greater heights with personalized advice and an extensive selection of financial services. Our suite of cash flow management, lending, and liquidity solutions, equips you with the necessary tools to propel your business towards success. By partnering with the responsive community bankers at First United, your business will thrive and make a positive impact on our local communities, showcasing that our collective future is bright.



Welcoming all customers

With 22 community offices strategically located for easy access, our focus is promoting financial stability in the communities we serve. Welcoming customers with warmth and treating you like family, our retail banking associates provide our customers financial well-being and access to a comprehensive range of services, including deposits, personal and home loans, credit cards, and introductions to our financial planning and brokerage offerings.



Earning Trust

First United's Wealth Management division offers a wide array of planning services tailored to individuals and families, as well as investment and advisory solutions designed for everyday business needs. Our team of experts has earned the trust of clients for over 60 years by providing dependable, sincere, and reliable advice aimed at maximizing your earnings and ensuring a financially secure future. Our team is here to guide you every step of the way with a personalized plan, so you can rest easy knowing your financial future is in good hands.

Engaging with Each Other and Our Communities

Attracting, hiring, and retaining a diverse group of employees is crucial for our success. This not only brings a variety of skills and ideas to the table but also enhances employee engagement and strengthens our connection with the communities we serve. We strive to foster a culture where all employees feel empowered to share their ideas and are appreciated for their unique abilities. By building stronger relationships with our customers, we can uncover new opportunities in the marketplace and enhance the customer experience.



**Focused on
providing
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Community

We take pride in seeing our communities thrive. Our associates share an unwavering desire to help others and contribute to the advancements of the communities we serve. Lending a hand in any way we can, we look to nurture meaningful connections and customize solutions to provide our communities with an uncommon commitment to service.



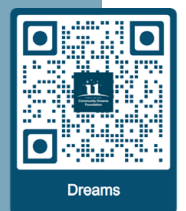
Dreams Foundation



Our commitment to our communities goes beyond providing innovative banking products and services.

We established the First United Community Dreams Foundation with the strong belief that a flourishing community forms the basis of exceptional quality of life.

Our philosophy centers around nurturing, supporting, and partnering with individuals and groups dedicated to improving the quality of life, making them safer and more enjoyable places to live, work, and play.



Vibrant & Equitable Neighborhoods
Education & Prosperous Future
Healthy Families & Safe, Affordable Housing

In 2023,
the Dreams
Foundation is
proud to have
awarded over
\$60,000 in funding
to organizations
within our area of
operation.

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 Thursday, May 9, 2024, at 9:00 a.m.

Wisp Hotel - Crawford Room

290 Marsh Hill Road

McHenry, MD 21541

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](https://mybank.com)