

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2025

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 0-14237

First United Corporation

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

52-1380770

(I. R. S. Employer Identification No.)

19 South Second Street, Oakland, Maryland

(Address of principal executive offices)

21550-0009

(Zip Code)

(800) 470-4356

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	FUNC	Nasdaq Stock Market

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "accelerated filer", "large accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's outstanding voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: **\$179,240,809.**

The number of shares of the registrant's common stock outstanding as of February 27, 2026: **6,501,382.**

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for the 2026 Annual Meeting of Shareholders to be filed with the SEC pursuant to Regulation 14A are incorporated by reference into Part III of this Annual Report on Form 10-K.

First United Corporation
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As used in this annual report, the terms “the Corporation”, “we”, “us”, and “our” mean First United Corporation and unless the context clearly suggests otherwise, its consolidated subsidiaries.

FORWARD LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Such statements include projections, predictions, expectations or statements as to beliefs or future events or results or refer to other matters that are not historical facts. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking statements contained in this annual report are based on various factors and were derived using numerous assumptions. In some cases, you can identify these forward-looking statements by words like “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “intend”, “believe”, “estimate”, “predict”, “potential”, or “continue” or the negative of those words and other comparable words. You should be aware that those statements reflect only our predictions. If known or unknown risks or uncertainties should materialize, or if underlying assumptions should prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind when reading this annual report and not place undue reliance on these forward-looking statements. Factors that might cause such differences include, but are not limited to:

- market, economic, operational, liquidity, credit, and interest rate risks associated with our business;
- changes in market rates and prices may adversely impact the value of securities, loans, deposits and other financial instruments and the interest rate sensitivity of our balance sheet;
- our liquidity requirements could be adversely affected by changes in our assets and liabilities;
- the effect of legislative or regulatory developments, including changes in laws concerning taxes, banking, securities, insurance and other aspects of the financial services industry;
- competitive factors among financial services organizations, including product and pricing pressures and our ability to attract, develop and retain qualified banking professionals;
- the effect of changes in accounting policies and practices, as may be adopted by the Financial Accounting Standards Board (“FASB”), the Securities and Exchange Commission (the “SEC”), and other regulatory agencies;
- the effect of fiscal and governmental policies of the United States federal government; and
- the effect of any epidemic.

You should also consider carefully the risk factors discussed in Item 1A of Part I of this annual report, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect our business, operating results and financial condition. The risks discussed in this annual report are factors that, individually or in the aggregate, could cause our actual results to differ materially from expected and historical results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I

ITEM 1. BUSINESS

General

First United Corporation is a Maryland corporation chartered in 1985 and a bank holding company registered with the Board of Governors of the Federal Reserve System (the “FRB”) under the Bank Holding Company Act of 1956, as amended, that elected financial holding company status in 2021. The Corporation’s primary business is serving as the parent company of First United Bank & Trust, a Maryland trust company (the “Bank”), First United Statutory Trust I (“Trust I”) and First United Statutory Trust II (“Trust II” and together with Trust I, the “Trusts”), both Connecticut statutory business trusts. The Trusts were formed for the purpose of selling trust preferred securities that qualified as Tier 1 capital. The Bank has two consumer finance company subsidiaries - OakFirst Loan Center, Inc., a West Virginia corporation, and OakFirst Loan Center, LLC, a Maryland limited liability company (together with OakFirst Loan Center, Inc., the “OakFirst Loan Centers”) - and one subsidiary that it uses to hold real estate acquired through foreclosure or by deed in lieu of foreclosure - First OREO Trust, a Maryland statutory trust. In addition, the Bank owns 99.9% of the limited partnership interests in Liberty Mews Limited Partnership, a Maryland limited partnership formed for the purpose of acquiring, developing and operating low-income housing units in Garrett County, Maryland, and a 99.9% non-voting membership interest in MCC FUBT Fund, LLC, an Ohio limited liability company formed for the purpose of acquiring, developing and operating low-income housing units in Allegany County, Maryland and Mineral County, West Virginia.

At December 31, 2025, we had total assets of \$2.1 billion, net loans of \$1.5 billion and deposits of \$1.7 billion. Shareholders’ equity at December 31, 2025 was \$203.6 million.

The Corporation maintains an Internet website at www.mybank.com on which it makes available, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to the foregoing as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the SEC.

Banking Products and Services

The Bank operates 23 banking offices, one customer service center and 30 Automated Teller Machines (“ATMs”) in Allegany County, Frederick County, Garrett County, and Washington County in Maryland, and in Mineral County, Berkeley County and Monongalia County in West Virginia. The Bank is an independent community bank providing a complete range of retail and commercial banking services to businesses and individuals in its market areas. Services offered are essentially the same as those offered by the regional institutions that compete with the Bank and include checking, savings, money market deposit accounts, and certificates of deposit, business loans, personal loans, mortgage loans, lines of credit, and consumer-oriented retirement accounts including individual retirement accounts (“IRAs”) and employee benefit accounts. In addition, the Bank provides full brokerage services through a networking arrangement with Cetera Investment Services, LLC, a full-service broker-dealer. The Bank also provides safe deposit and night depository facilities, insurance products and trust services. The Bank’s deposits are insured by the Federal Deposit Insurance Corporation (the “FDIC”) up to applicable limits.

Lending Activities

Our lending activities are conducted through the Bank. Since 2010, the Bank has not originated any new loans through the OakFirst Loan Centers and their sole activity is servicing existing loans.

The Bank’s commercial loans are primarily secured by real estate, commercial equipment, vehicles or other assets of the borrower. Repayment is often dependent on the successful business operations of the borrower and may be affected by adverse conditions in the local economy or real estate market. The financial condition and cash flow of commercial borrowers is therefore carefully analyzed during the loan approval process and continues to be monitored throughout the duration of the loan by obtaining business financial statements, personal financial statements and income tax returns. The

frequency of this ongoing analysis depends upon the size and complexity of the credit and collateral that secures the loan. It is also the Bank's general policy to obtain personal guarantees from the principals of the commercial loan borrowers.

Commercial real estate loans are primarily those secured by land for residential and commercial development, agricultural purpose properties, service industry buildings such as restaurants, hotels and motels, retail buildings and general-purpose business space. The Bank attempts to mitigate the risks associated with these loans through low loan to value ratio standards, thorough financial analyses, and management's knowledge of the local economy in which the Bank lends.

The risk of loss associated with commercial real estate construction lending is controlled through conservative underwriting procedures such as loan to value ratios of 80% or less, obtaining additional collateral when prudent, analysis of cash flows, and closely monitoring construction projects to control disbursement of funds on loans.

The Bank's residential mortgage portfolio is distributed between variable and fixed rate loans. Some loans are booked at fixed rates to meet the Bank's requirements under the federal Community Reinvestment Act (the "CRA") or to complement our asset liability mix. Other fixed rate residential mortgage loans are originated in a brokering capacity on behalf of other financial institutions, for which the Bank receives a fee. As with any consumer loan, repayment is dependent on the borrower's continuing financial stability, which can be adversely impacted by factors such as job loss, divorce, illness, or personal bankruptcy. Residential mortgage loans exceeding an internal loan-to-value ratio require private mortgage insurance. Title insurance protecting the Bank's lien priority, as well as fire and casualty insurance, is also required.

Home equity lines of credit, included within the residential mortgage portfolio, are secured by the borrower's home and can be drawn on at the discretion of the borrower. These lines of credit are at variable interest rates.

The Bank also provides residential real estate construction loans to builders and individuals for single family dwellings. Residential construction loans are usually granted based upon "as completed" appraisals and are secured by the property under construction. Site inspections are performed to determine pre-specified stages of completion before loan proceeds are disbursed. These loans typically have maturities of six to twelve months and may have a fixed or variable rate. Permanent financing for individuals offered by the Bank includes fixed and variable rate loans with five, seven or ten-year adjustable-rate mortgages.

A variety of other consumer loans are also offered to customers, including indirect and direct auto loans, student loans, and other secured and unsecured lines of credit and term loans.

An allowance for credit losses ("ACL") is maintained to provide for losses over the life of the portfolio from our lending activities. A complete discussion of the factors considered in determination of the ACL is included in Item 7 of Part II of this report.

Deposit Activities

The Bank offers a full array of deposit products including checking, savings and money market accounts, regular and IRA certificates of deposit, and Health Savings accounts. The Bank also offers the Certificate of Deposit Account Registry Service®, or CDARS®, and the IntraFi Cash Service®, or ICS®, programs to municipalities, businesses, and consumers through which the Bank provides access to multi-million-dollar certificates of deposit, savings and demand deposits, respectively. Both programs are fully FDIC-insured. In addition, we offer our commercial customers packages which include Treasury Management, Cash Sweep and various checking opportunities.

Information about our income from and assets related to our banking business may be found in the Consolidated Statements of Financial Condition and the Consolidated Statements of Income and the related notes thereto included in Item 8 of Part II of this annual report.

Wealth Management

The Bank's wealth department offers a full range of trust services, including personal trust, investment agency accounts, charitable trusts, retirement accounts including IRA roll-overs, 401(k) accounts and defined benefit plans, estate administration and estate planning.

At December 31, 2025 and 2024, the total market value of assets under the supervision of the Bank's wealth department was approximately \$1.8 billion and \$1.7 billion, respectively. Wealth management income, which includes trust department income and brokerage commissions, for these years may be found in the Consolidated Statements of Income under the heading "Other operating income", which is contained in Item 8 of Part II of this annual report.

COMPETITION

The banking business, in all of its phases, is highly competitive. Within our market areas, we compete with commercial banks, (including local banks and branches or affiliates of other larger banks), savings and loan associations and credit unions for loans and deposits, with consumer finance companies for loans, and with other financial institutions and other providers of financial services for various types of products and services, including trust services. There is also competition for commercial and retail banking business from banks and financial institutions located outside our market areas and on the internet.

The primary factors in competing for deposits are interest rates, personalized services, the quality and range of financial services, technology, convenience of office locations and office hours. The primary factors in competing for loans are interest rates, loan origination fees, the quality and range of lending services and personalized services.

To compete with other financial services providers, we rely principally upon local promotional activities, personal relationships established by officers, directors and employees with customers, and specialized services tailored to meet customers' needs. In those instances in which we are unable to accommodate customers' needs, we attempt to arrange for those services to be provided by other financial services providers with which we have a relationship.

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The following tables set forth deposit data for the Maryland and West Virginia Counties in which the Bank maintains offices as of June 30, 2025, the most recent date for which comparative information is available.

	Offices (in Market)	Deposits (in thousands)	Market Share
<i>Allegany County, Maryland:</i>			
First United Bank & Trust	2	\$ 275,647	33.20%
Manufacturers and Traders Trust Company	5	249,590	30.06%
Truist Bank	3	203,848	24.55%
Dollar Bank, Federal Savings Bank	2	62,282	7.50%
Somerset Trust Company	2	38,847	4.69%
<i>Source: FDIC Deposit Market Share Report</i>			
<i>Frederick County, Maryland:</i>			
PNC Bank, National Association	11	\$ 1,701,349	26.67%
Truist Bank	10	1,032,491	16.18%
Bank Of America, National Association	4	797,010	12.48%
Manufacturers and Traders Trust Company	6	495,713	7.77%
Atlantic Union Bank	3	426,561	6.69%
Woodsboro Bank	5	424,941	6.66%
Middletown Valley Bank	4	398,451	6.25%
Capital One, National Association	2	308,789	4.84%
ACNB Bank	4	253,267	3.97%
First United Bank & Trust	3	217,757	3.41%
Wells Fargo Bank, National Association	1	174,151	2.73%
WesBanco Bank, Inc.	1	53,454	0.84%
JP Morgan Chase Bank, National Association	1	37,516	0.59%
Fulton Bank, National Association	1	36,972	0.58%
Presidential Bank, FSB	1	17,629	0.28%
Woodforest National Bank	1	3,596	0.06%
<i>Source: FDIC Deposit Market Share Report</i>			
<i>Garrett County, Maryland:</i>			
First United Bank & Trust	5	\$ 536,545	64.60%
Manufacturers and Traders Trust Company	2	115,481	13.90%
Clear Mountain Bank	1	79,825	9.61%
Truist Bank	1	65,189	7.85%
Somerset Trust Company	1	26,270	3.16%
Miners & Merchants Bank	1	7,298	0.88%
<i>Source: FDIC Deposit Market Share Report</i>			
<i>Washington County, Maryland:</i>			
Fulton Bank, National Association	4	\$ 629,938	19.22%
Manufacturers and Traders Trust Company	9	584,752	17.85%
Truist Bank	5	547,188	16.70%
Middletown Valley Bank	3	530,872	16.20%
PNC Bank, National Association	3	358,910	10.96%
CNB Bank, Inc.	4	169,572	5.18%
First United Bank & Trust	4	162,309	4.95%
United Bank	2	137,218	4.19%
Orrstown Bank	1	73,219	2.24%
Bank of Charles Town	1	28,353	0.87%
Farmers and Merchants Trust Company of Chambersburg	1	25,581	0.78%
Ameriserv Financial Bank	1	22,170	0.68%
Jefferson Security Bank	1	5,891	0.18%
<i>Source: FDIC Deposit Market Share Report</i>			

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Berkeley County, West Virginia:

United Bank	4	\$	591,186	29.08%
Truist Bank	3		384,505	18.92%
City National Bank of West Virginia	4		262,191	12.90%
Burke & Herbert Bank & Trust Company	3		182,491	8.98%
Jefferson Security Bank	2		167,286	8.22%
First United Bank & Trust	3		166,206	8.18%
CNB Bank, Inc.	3		147,482	7.26%
Bank of Charles Town	2		126,368	6.22%
Woodforest National Bank	1		4,810	0.24%

Source: FDIC Deposit Market Share Report

Mineral County, West Virginia:

First United Bank & Trust	2	\$	140,090	38.60%
Manufacturers and Traders Trust Company	2		84,345	23.24%
Truist Bank	1		72,469	19.97%
The Grant County Bank	1		47,380	13.06%
FNB Bank, Inc.	1		18,622	5.13%

Source: FDIC Deposit Market Share Report

Monongalia County, West Virginia:

United Bank	6	\$	1,568,631	30.71%
MVB Bank, Inc.	2		1,449,309	28.38%
The Huntington National Bank	6		630,752	12.35%
Clear Mountain Bank	3		386,978	7.58%
Truist Bank	3		327,436	6.41%
PNC Bank, National Association	2		233,452	4.57%
WesBanco Bank, Inc.	3		232,051	4.54%
First United Bank & Trust	3		125,005	2.45%
Citizens Bank of Morgantown, Inc.	1		42,295	0.83%
Burke & Herbert Bank & Trust Company	1		39,211	0.77%
First Exchange Bank	2		37,326	0.73%
JP Morgan Chase Bank, National Association	1		31,636	0.62%
City National Bank of West Virginia	1		3,253	0.06%

Source: FDIC Deposit Market Share Report

For further information about competition in our market areas, see the Risk Factor entitled “**We operate in a competitive environment, and our inability to effectively compete could adversely and materially impact our financial condition and results of operations**” in Item 1A of Part I of this annual report.

SUPERVISION AND REGULATION

The following is a summary of the material regulations and policies applicable to the Corporation and its subsidiaries and is not intended to be a comprehensive discussion. Changes in applicable laws and regulations may have a material effect on our business.

General

The Corporation is registered with the FRB as a financial holding company under the Bank Holding Company Act of 1956, as amended (the “BHC Act”) and, as such, is subject to the supervision, examination and reporting requirements of the BHC Act and the regulations of the FRB. As a publicly-traded company whose common stock, par value \$0.01 per share (the “Common Stock”), is registered under Section 12(b) of the Securities Exchange Act of 1934,

as amended (the “Exchange Act”), and listed on The NASDAQ Global Select Market, the Corporation is also subject to regulation and supervision by the SEC and The NASDAQ Stock Market, LLC (“NASDAQ”).

The Bank is a Maryland trust company subject to the banking laws of Maryland and to regulation by the Maryland Department of Labor’s Office of Financial Regulation (the “Maryland OFR”), who is required by statute to make at least one examination in each calendar year (or at 18-month intervals if the Maryland OFR determines that an examination is unnecessary in a particular calendar year). The Bank also has offices in West Virginia, and the operations of these offices are subject to various West Virginia laws. As a member of the FDIC, the Bank is also subject to certain provisions of federal laws and regulations regarding deposit insurance and activities of insured state-chartered banks, including those that require examination by the FDIC. In addition to the foregoing, there are a myriad of other federal and state laws and regulations that affect, or govern the business of banking, including consumer lending, deposit-taking, and trust operations.

All non-bank subsidiaries of the Corporation are subject to examination by the FRB, and, as affiliates of the Bank, are subject to examination by the FDIC and the Maryland OFR. In addition, OakFirst Loan Center, Inc. is subject to licensing and regulation by the West Virginia Division of Banking, and OakFirst Loan Center, LLC is subject to licensing and regulation by the Maryland OFR.

Regulation of Bank Holding Companies

The Corporation and its affiliates are subject to the provisions of Section 23A and Section 23B of the Federal Reserve Act. Section 23A limits the amount of loans or extensions of credit to, and investments in, the Corporation and its non-bank affiliates by the Bank. Section 23B requires that transactions between the Bank and the Corporation and its non-bank affiliates be on terms and under circumstances that are substantially the same as with non-affiliates.

Under FRB policy, the Corporation is expected to act as a source of strength to the Bank, and the FRB may charge the Corporation with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank when required. This support may be required at times when the bank holding company may not have the resources to provide the support. Under the prompt corrective action provisions, if a controlled bank is undercapitalized, then the regulators could require the bank holding company to guarantee the bank’s capital restoration plan. In addition, if the FRB believes that a bank holding company’s activities, assets or affiliates represent a significant risk to the financial safety, soundness or stability of a controlled bank, then the FRB could require the bank holding company to terminate the activities, liquidate the assets or divest the affiliates. The regulators may require these and other actions in support of controlled banks even if such actions are not in the best interests of the bank holding company or its stockholders. Because the Corporation is a bank holding company, it is viewed as a source of financial and managerial strength for any controlled depository institutions, like the Bank.

In addition, under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”), depository institutions insured by the FDIC can be held liable for any losses incurred by, or reasonably anticipated to be incurred by, the FDIC in connection with (i) the default of a commonly controlled FDIC-insured depository institution or (ii) any assistance provided by the FDIC to a commonly controlled FDIC-insured depository institution in danger of default. Accordingly, in the event that any insured subsidiary of the Corporation causes a loss to the FDIC, other insured subsidiaries of the Corporation could be required to compensate the FDIC by reimbursing it for the estimated amount of such loss. Such cross guaranty liabilities generally are superior in priority to obligations of a financial institution to its shareholders and obligations to other affiliates.

Regulation of Financial Holding Companies

In 2021, the Corporation elected to become a financial holding company, which allows it to engage in certain activities, and own shares or control of certain entities, that are in addition to those permissible for an entity that is a bank holding company only. The provisions of the BHC Act relating to financial holding companies and the regulations promulgated thereunder require the Bank to remain “well capitalized” and “well managed”. The capital requirement is discussed below under the heading, “**Prompt Corrective Action**”. The Bank will be considered to be well managed so

long as it achieves a CAMEL composite rating of at least “2” as a result of its most recent examination and at least a “satisfactory” management rating (if such rating is given). If the Bank were to fail to meet either of these requirements, then the Corporation would be required to enter into an agreement with the FRB that would address the remediation of the condition that led to the failure. During the term of that agreement, which is typically 180 days but can be extended at the discretion of the FRB, the Corporation would be prohibited from commencing any additional activity or acquiring control or shares of any company that would otherwise be permissible for a financial holding company under Section 4(k) of the BHC Act. If the Corporation were to fail to correct that condition by the expiration of the agreement’s term, then the FRB could order the Corporation to divest its ownership of the Bank or, alternatively, terminate all financial holding company activities.

For so long as the Corporation remains a financial holding company, the Bank must also maintain a Satisfactory or better rating under the CRA. During any period that the Bank fails to satisfy this requirement, the Corporation is prohibited from commencing any additional activity or acquiring control or shares of any company that would otherwise be permissible for a financial holding company under Section 4(k) of the BHC Act. The Bank currently satisfies all of the foregoing conditions.

Federal Banking Regulation

Federal banking regulators, such as the FRB and the FDIC, may prohibit the institutions over which they have supervisory authority from engaging in activities or investments that the agencies believe are unsafe or unsound banking practices. Federal banking regulators have extensive enforcement authority over the institutions they regulate to prohibit or correct activities that violate law, regulation or a regulatory agreement or which are deemed to be unsafe or unsound practices.

Enforcement actions may include the appointment of a conservator or receiver, the issuance of a cease and desist order, the termination of deposit insurance, the imposition of civil money penalties on the institution, its directors, officers, employees and institution-affiliated parties, the issuance of directives to increase capital, the issuance of formal and informal agreements, the removal of or additions to restrictions on directors, officers, employees and institution-affiliated parties, and the enforcement of any such mechanisms through restraining orders or other court actions.

The Bank is subject to certain restrictions on extensions of credit to executive officers, directors, and principal shareholders or any related interest of such persons, which generally require that such credit extensions be made on substantially the same terms as those available to persons who are not related to the Bank and not involve more than the normal risk of repayment. Other laws tie the maximum amount that may be loaned to any one customer and its related interests to capital levels.

As part of the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”), each federal banking regulator adopted non-capital safety and soundness standards for institutions under its authority. These standards include internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. An institution that fails to meet those standards may be required by the agency to develop a plan acceptable to meet the standards. Failure to submit or implement such a plan may subject the institution to regulatory sanctions. We believe that the Bank meets substantially all standards that have been adopted. FDICIA also imposes capital standards on insured depository institutions.

The CRA requires the FDIC, in connection with its examination of financial institutions within its jurisdiction, to evaluate the record of those financial institutions in meeting the credit needs of their communities, including low- and moderate-income neighborhoods, consistent with principles of safe and sound banking practices. These factors are also considered by all regulatory agencies in evaluating mergers, acquisitions and applications to open a branch or facility. As of the date of its most recent examination report, the Bank had a CRA rating of “Satisfactory”.

The Bank is also subject to a variety of other laws and regulations with respect to the operation of its business, including, but not limited to, the TILA/RESPA Integrated Disclosure rule (“TRID”), Truth in Lending Act, the Real Estate Settlement Procedures Act, the Truth in Savings Act, the Equal Credit Opportunity Act, the Electronic Funds Transfer Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Fair Debt Collection Practices Act, the Fair Credit Reporting Act, Expedited Funds Availability (Regulation CC), Reserve Requirements (Regulation D), Privacy of Consumer Information (Regulation P), Margin Stock Loans (Regulation U), the Right To Financial Privacy Act, the Flood

Disaster Protection Act, the Homeowners Protection Act, the Servicemembers Civil Relief Act, the Telephone Consumer Protection Act, the CAN-SPAM Act, the Children's Online Privacy Protection Act, Bank Secrecy Act/Anti-Money Laundering ("BSA/AML") and Office of Foreign Assets Control ("OFAC").

Capital Requirements

We require capital to fund loans, satisfy our obligations under the Bank's letters of credit, meet the deposit withdrawal demands of the Bank's customers, and satisfy our other monetary obligations. To the extent that deposits are not adequate to fund our capital requirements, we can rely on the funding sources identified below under the heading "Liquidity Management". Management is not aware of any demands, commitments, events or uncertainties that are likely to materially affect our ability to meet our future capital requirements.

In addition to operational requirements, the Bank and the Corporation are subject to risk-based capital regulations, which were adopted and are monitored by federal banking regulators. These regulations are used to evaluate capital adequacy and require an analysis of an institution's asset risk profile and off-balance sheet exposures, such as unused loan commitments and stand-by letters of credit.

Regulators may require higher capital ratios when warranted by the particular circumstances or risk profile of a given banking organization. In the current regulatory environment, banking organizations must stay well-capitalized in order to receive favorable regulatory treatment on acquisition and other expansion activities and favorable risk-based deposit insurance assessments. Our capital policy establishes guidelines meeting these regulatory requirements and takes into consideration current or anticipated risks as well as potential future growth opportunities.

In July 2019, the federal banking agencies adopted a final rule that simplifies compliance with certain aspects of the capital rules. A majority of the simplifications apply solely to banking organizations that are not subject to the advanced approaches capital rule. The rule simplified the application of regulatory capital treatment for mortgage servicing assets, certain deferred tax assets arising from temporary differences, investments in the capital of unconsolidated financial institutions, and capital issued by a consolidated subsidiary of a banking organization and held by third parties (minority interest). In addition, the rule revised the treatment of certain acquisition, development, or construction exposures.

As of December 31, 2025, we were in compliance with the applicable requirements.

Additional information about our capital ratios is contained in "Consolidated Balance Sheet Review" section of Item 7 of Part II of this annual report under the heading "Capital Resources".

Prompt Corrective Action

The Federal Deposit Insurance Act ("FDI Act") requires, among other things, the federal banking agencies to take "prompt corrective action" in respect of depository institutions that do not meet minimum capital requirements. The FDI Act includes the following five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A depository institution's capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors, as established by regulation. The relevant capital measures are the total capital ratio, the Tier 1 capital ratio and the leverage ratio.

A bank will be (i) "well capitalized" if the institution has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater, a Common Equity Tier 1 ("CET1") ratio of 6.5% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure, (ii) "adequately capitalized" if the institution has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater, a CET1 ratio of 4.5% or greater, and is not "well capitalized", (iii) "undercapitalized" if the institution has a total risk-based capital ratio that is less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less

than 4.0%, or a CET1 ratio of less than 4.5%, (iv) “significantly undercapitalized” if the institution has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0%, or a CET1 ratio of less than 3.0%, and (v) “critically undercapitalized” if the institution’s tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. A bank’s capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank’s overall financial condition or prospects for other purposes.

The FDI Act generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be “undercapitalized.” “Undercapitalized” institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution’s capital. In addition, for a capital restoration plan to be acceptable, the depository institution’s parent holding company must guarantee that the institution will comply with such capital restoration plan. The bank holding company must also provide appropriate assurances of performance. The aggregate liability of the parent holding company is limited to the lesser of (i) an amount equal to 5.0% of the depository institution’s total assets at the time it became undercapitalized and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.” Significantly undercapitalized” depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become “adequately capitalized,” requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. “Critically undercapitalized” institutions are subject to the appointment of a receiver or conservator.

The appropriate federal banking agency may, under certain circumstances, reclassify a well-capitalized insured depository institution as adequately capitalized. The FDI Act provides that an institution may be reclassified if the appropriate federal banking agency determines (after notice and opportunity for hearing) that the institution is in an unsafe or unsound condition or deems the institution to be engaging in an unsafe or unsound practice.

The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution.

As of December 31, 2025, the Bank was “well capitalized” based on the aforementioned ratios.

Liquidity Requirements

Historically, the regulation and monitoring of bank liquidity has been addressed as a supervisory matter, without required formulaic measures. The Basel III Capital Rules require banks to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward would be required by regulation. One test, referred to as the liquidity coverage ratio, is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity’s expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio, is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incent banking entities to increase their holdings of securities issued by the U.S. Department of the Treasury (the “Treasury”) and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source.

Deposit Insurance

The Bank is a member of the FDIC and pays an insurance premium to the FDIC based upon its assessable deposits on a quarterly basis. Deposits are insured up to applicable limits by the FDIC and such insurance is backed by the full faith and credit of the United States Government.

The deposit insurance limit set by law is currently \$250,000. The coverage limit is per depositor, per insured depository institution for each account ownership category.

The Federal Deposit Insurance Reform Act of 2005, which created the Deposit Insurance Fund (“DIF”), gave the FDIC greater latitude in setting the assessment rates for insured depository institutions which could be used to impose minimum assessments. The FDIC has the flexibility to adopt actual rates that are higher or lower than the total base assessment rates adopted without notice and comment, if certain conditions are met.

In November 2023, the FDIC issued a final rule to implement a special assessment to recover losses to the DIF as a result of bank failures that year and the FDIC’s use of the systemic risk exception to cover certain deposits that were otherwise uninsured. In June 2024, due to the increased estimate of losses, the FDIC announced that it projects that the special assessment will be collected for an additional two quarters beyond the initial eight-quarter collection period at a lower rate. In December 2025, based upon the first six quarterly collections of the special assessment and anticipated collections for the seventh quarterly special assessment, the FDIC issued an interim final rule to amend the collection of the special assessment to reduce the eighth quarter special assessment and removed the special assessment for the two additional quarters was removed. The special estimate was based on estimated uninsured deposits at December 31, 2022 (excluding the first \$5.0 billion). The Bank was exempt from this special assessment as its total uninsured deposits were below \$5.0 billion.

The FDIC is authorized to conduct examinations of and require reporting by FDIC-insured institutions. It is also authorized to terminate a depository bank’s deposit insurance upon a finding by the FDIC that the bank’s financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the bank’s regulatory agency. The termination of deposit insurance for our bank subsidiary would have a material adverse effect on our earnings, operations and financial condition.

Bank Secrecy Act/Anti-Money Laundering

The Bank Secrecy Act (“BSA”), which is intended to require financial institutions to develop policies, procedures, and practices to prevent and deter money laundering, mandates that every national bank have a written, board-approved program that is reasonably designed to assure and monitor compliance with the BSA.

The program must, at a minimum: (i) provide for a system of internal controls to assure ongoing compliance; (ii) provide for independent testing for compliance; (iii) designate an individual responsible for coordinating and monitoring day-to-day compliance; and (iv) provide training for appropriate personnel. In addition, state-chartered banks are required to adopt a customer identification program as part of its BSA compliance program. State-chartered banks are also required to file Suspicious Activity Reports when they detect certain known or suspected violations of federal law or suspicious transactions related to a money laundering activity or a violation of the BSA.

In addition to complying with the BSA, the Bank is subject to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “USA Patriot Act”). The USA Patriot Act is designed to deny terrorists and criminals the ability to obtain access to the United States’ financial system and has significant implications for depository institutions, brokers, dealers, and other businesses involved in the transfer of money. The USA Patriot Act mandates that financial service companies implement additional policies and procedures and take heightened measures designed to address any or all of the following matters: customer identification programs,

money laundering, terrorist financing, identifying and reporting suspicious activities and currency transactions, currency crimes, and cooperation between financial institutions and law enforcement authorities.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) was enacted in July 2010 and significantly restructured the financial regulatory regime in the United States. Although the Dodd-Frank Act’s provisions that have received the most public attention generally have been those applying to or more likely to affect larger institutions such as banks and bank holding companies with total consolidated assets of \$50 billion or more, it contains numerous other provisions that affect all financial institutions, including the Bank. The Dodd-Frank Act established the Consumer Financial Protection Bureau (the “CFPB”), discussed below, and contains a wide variety of provisions affecting the regulation of depository institutions, including fair lending, fair debt collection practices, mortgage loan origination and servicing obligations, bankruptcy, military service member protections, use of credit reports, privacy matters, and disclosure of credit terms and correction of billing errors. Local, state and national regulatory and enforcement agencies continue efforts to address perceived problems within the mortgage lending and credit card industries through broad or targeted legislative or regulatory initiatives aimed at lenders’ operations in consumer lending markets. There continues to be a significant amount of legislative and regulatory activity, nationally, locally and at the state level, designed to limit certain lending practices while mandating certain servicing procedures. Federal bankruptcy and state debtor relief and collection laws, as well as the Servicemembers Civil Relief Act affect the ability of banks, including the Bank, to collect outstanding balances.

Moreover, the Dodd-Frank Act permits states to adopt stricter consumer protection laws and states’ attorneys general may enforce consumer protection rules issued by the CFPB. U.S. financial regulatory agencies have increasingly used a general consumer protection statute to address unethical or otherwise bad business practices that may not necessarily fall directly under the purview of a specific banking or consumer finance law. Prior to the Dodd-Frank Act, there was little formal guidance to provide insight to the parameters for compliance with the “unfair or deceptive acts or practices” (“UDAP”) law. However, the UDAP provisions have been expanded under the Dodd-Frank Act to apply to “unfair, deceptive or abusive acts or practices”, which has been delegated to the CFPB for supervision.

The Dodd-Frank Act has increased, and will likely continue to increase, our regulatory compliance burdens and costs and may restrict the financial products and services that we offer to our customers in the future.

Mortgage Lending and Servicing

The Bank’s mortgage lending and servicing activities are subject to various laws and regulations that are enforced by the federal banking regulators and the CFPB, such as the Truth in Lending Act, the Real Estate Settlement Procedures Act, and various rules adopted thereunder, including those relating to consumer disclosures, appraisal requirements, mortgage originator compensation, prohibitions on mandatory arbitration provisions under certain circumstances, and the obligation to credit payments and provide payoff statements within certain time periods and provide certain notices prior to interest rate and payment adjustments.

The Bank is required to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms. Qualified mortgages that are not “higher-priced” are afforded a safe harbor presumption of compliance with the ability to repay rules, while qualified mortgages that are “higher-priced” garner a rebuttable presumption of compliance with the ability to repay rules. In general, a “qualified mortgage” is a mortgage loan without negative amortization, interest-only payments, balloon payments, or a term exceeding 30 years, where the lender determines that the borrower has the ability to repay, and where the borrower’s points and fees do not exceed 3% of the total loan amount. “Higher-priced” mortgages must have escrow accounts for taxes and insurance and similar recurring expenses.

Consumer Lending – Military Lending Act

The Military Lending Act (the “MLA”) and the rules adopted by the Department of Defense (“DOD”) thereunder cover virtually all consumer loan and credit card products (except for loans secured by residential real property and certain purchase-money motor vehicle/personal property secured transactions). Lenders must provide specific written and oral disclosures concerning the protections of the MLA to active-duty members of the military and dependents of active-duty members of the military (“covered borrowers”). The DOD’s rules impose a 36% “Military Annual Percentage Rate” cap that includes costs associated with credit insurance premiums, fees for ancillary products, finance charges associated with the transactions, and application and participation charges. In addition, loan terms cannot include (i) a mandatory arbitration provision, (ii) a waiver of consumer protection laws, (iii) mandatory allotments from military benefits, or (iv) a prepayment penalty. The revised rule also prohibits “roll-over” or refinances of the same loan unless the new loan provides more favorable terms for the covered borrower. Lenders may verify covered borrower status using a DOD database or information provided by credit bureaus.

Federal Securities Laws and NASDAQ Rules

The Common Stock is registered with the SEC under Section 12(b) of the Exchange Act and shares of the Common Stock are listed on the NASDAQ Global Select Market. The Corporation is subject to information reporting requirements, proxy solicitation requirements, insider trading restrictions and other requirements of the Exchange Act, including the requirements imposed under the federal Sarbanes-Oxley Act of 2002, and rules adopted by NASDAQ. Among other things, loans to and other transactions with insiders are subject to restrictions and heightened disclosure, directors and certain committees of the Board must satisfy certain independence requirements, the Corporation must comply with certain enhanced corporate governance requirements, and various issuances of securities by the Corporation require shareholder approval.

Governmental Monetary and Credit Policies and Economic Controls

The earnings and growth of the banking industry and ultimately of the Bank are affected by the monetary and credit policies of governmental authorities, including the FRB. An important function of the FRB is to regulate the national supply of bank credit in order to control recessionary and inflationary pressures. Among the instruments of monetary policy used by the FRB to implement these objectives are open market operations in U.S. Government securities, changes in the federal funds rate, changes in the discount rate of member bank borrowings, and changes in reserve requirements against member bank deposits. These means are used in varying combinations to influence overall growth of bank loans, investments and deposits and may also affect interest rates charged on loans or paid on deposits. The monetary policies of the FRB authorities have had a significant effect on the operating results of commercial banks in the past and are expected to continue to have such an effect in the future. In view of changing conditions in the national economy and in the money markets, as well as the effect of actions by monetary and fiscal authorities, including the FRB, no prediction can be made as to possible future changes in interest rates, deposit levels, loan demand or their effect on our businesses and earnings.

EMPLOYEES

At December 31, 2025, we employed 343 individuals, of whom 315 were full-time employees.

ITEM 1A. RISK FACTORS

The significant risks and uncertainties related to us, our business and our securities of which we are aware are discussed below. Investors and shareholders should carefully consider these risks and uncertainties before making investment decisions with respect to the Corporation’s securities. Any of these factors could materially and adversely affect our business, financial condition, operating results and prospects and could negatively impact the market price of the Corporation’s securities. If any of these risks materialize, the holders of the Corporation’s securities could lose all or part of their investments in the Corporation. Additional risks and uncertainties that we do not yet know of, or that we

currently think are immaterial, may also impair our business operations. Investors and shareholders should also consider the other information contained in this annual report, including our financial statements and the related notes, before making investment decisions with respect to the Corporation's securities.

Risks Relating to First United Corporation and its Affiliates

First United Corporation's future success depends on the successful growth of its subsidiaries.

The Corporation's primary business activity for the foreseeable future will be to act as the holding company of the Bank and its other direct and indirect subsidiaries. Therefore, the Corporation's future profitability will depend on the success and growth of these subsidiaries.

The Bank's funding sources may prove insufficient to replace deposits and support our future growth.

The Bank relies on customer deposits, advances from the FHLB, lines of credit at other financial institutions, the Federal Reserve Discount Window, and brokered funds to fund our operations. Although the Bank has historically been able to replace maturing deposits and advances if desired, no assurance can be given that the Bank would be able to replace such funds in the future if our financial condition or the financial condition of the FHLB or market conditions were to change. Our financial flexibility could be severely constrained and/or our cost of funds could increase if we are unable to maintain our access to funding or if financing necessary to accommodate future growth is not available at favorable interest rates. If we are required to rely more heavily on more expensive funding sources to support future growth, then our revenues may not increase proportionately to cover our costs. In that case, our profitability would be adversely affected.

We may need to raise capital in the future, and such capital may not be available when needed or at all.

We may need to raise capital in the future to provide it with sufficient capital resources and liquidity to meet our commitments and business needs including complying with new regulatory capital rules, particularly if our asset quality or earnings were to deteriorate significantly. Our ability to raise capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial condition. Economic conditions and the loss of confidence in financial institutions may limit access to certain customary sources of capital and increase our cost of raising capital. No assurance can be given that such capital will be available on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of depositors, investors or counterparties participating in the capital markets may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms as and when needed could have a materially adverse effect on our business, financial condition and results of operations.

Our inability to generate liquidity in a timely manner may adversely impact our ability to satisfy obligations associated with our financing, our operations and other components of our business.

Timely access to liquidity is essential to our business, and being able to meet obligations as they come due and pay deposits when they are withdrawn is critical to ongoing operations. If we are unable to meet our payment obligations on a daily basis, we may be subject to being placed into receivership, regardless of our capital levels. Our primary sources of liquidity consist of cash and cash balances due from correspondent banks, excess reserves at the Federal Reserve, loan repayments, federal funds sold and other short-term investments, maturities and monetization of investment securities, cash provided by operating activities and new core deposits into the Bank. Our ability to obtain or liquidate these primary sources of liquidity may be impacted by adverse economic conditions resulting from dynamic, complex, and other foreseen and unforeseen inter-related factors and events in the economic environment. If we were to rely on sales proceeds from the sale of investment securities within our portfolio in order to satisfy our obligations, we may be adversely impacted by our ability to transact and settle such sales. Sales of investment securities in an unrealized loss position would negatively affect our earnings and regulatory capital. In addition, in order to monetize our held-to-maturity ("HTM") securities, we

expect to rely on pledging those securities for secured funding, and our liquidity may be impaired if we are unable to timely pledge those or any other securities due to lack of available funding, operational impediments or otherwise. Our industry is susceptible to the negative impact of limited access to short-term and/or long-term sources of funds, which could result in a liquidity shortfall and/or impact our liquidity coverage ratio and could have an adverse effect on our operations, financial condition and earnings.

Our inability to access sources of financing at terms that are favorable to us may result in an adverse effect on our business, financial condition, and results of operations.

Our liquidity could be adversely affected by any inability to access the debt or equity capital markets, liquidity or volatility in those capital markets, the decrease in value of eligible collateral or increased collateral requirements (including as a result of credit concerns for short-term borrowings), changes to our relationships with our funding providers based on real or perceived changes in our risk profile, prolonged federal government shutdowns or changes in regulations. Additionally, our liquidity may be negatively impacted by the unwillingness or inability of the Federal Reserve to act as a lender of last resort.

Our ability to raise additional financing depends on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities and on our financial condition and performance. Accordingly, we may be unable to raise additional financing if needed or on acceptable terms.

The value of real estate collateral may fluctuate significantly resulting in an under-collateralized loan portfolio.

The market value of real estate, particularly real estate held for investment, can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. If the value of the real estate serving as collateral for the Corporation's loan portfolio were to decline materially, a significant part of the Corporation's loan portfolio could become under-collateralized. If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, then, in the event of foreclosure, we may not be able to realize the amount of collateral that we anticipated at the time of originating the loan. This could have a material adverse effect on the Corporation's provision for credit losses and the Corporation's operating results and financial condition.

The Corporation is subject to lending risk, and the impacts of interest rate changes could adversely impact the Corporation.

There are inherent risks associated with the Corporation's lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where the Corporation operates. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans.

Our success depends, to a certain extent, upon local, national and global economic and political conditions, as well as governmental monetary policies. Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing the loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets where we operate and the United States as a whole. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by a decline in economic growth both in the United States and internationally, declines in business activity or investor or business confidence, limitations on the availability of or increases to the cost of credit and capital, increases in inflation or interest rates, high unemployment, natural disasters, trade policies and tariffs, or a combination of these factors. Current economic conditions are being heavily impacted by recent inflationary conditions and higher interest rates, the effects of which may impact our profitability by negatively impacting our fixed costs and expenses. Economic and inflationary pressure on consumers and uncertainty regarding economic improvement could result in changes in consumer and business spending, borrowing, and savings habits. Such conditions could have a material adverse effect on the credit quality of our loans and our business, financial condition, and results of operations.

A substantial portion of the Corporation's loan portfolio is comprised of residential and commercial real estate loans. The Corporation's concentration of real estate loans may subject the Corporation to additional risk, as fluctuations in market value of collateral and difficulty monitoring income-producing property serving as a source of repayment and collateral. Any of these or other risks relating to real estate loans could adversely affect the collection by the Corporation of the outstanding loan balances.

Interest rates and other economic conditions will impact our results of operations.

Our net income depends primarily upon our net interest income. Net interest income is the difference between interest income earned on loans, investments and other interest-earning assets and the interest expense incurred on deposits and borrowed funds. The level of net interest income is primarily a function of the average balance of our interest-earning assets, the average balance of our interest-bearing liabilities, and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of our interest-earning assets and our interest-bearing liabilities which, in turn, are impacted by such external factors as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the FRB, and market interest rates.

Different types of assets and liabilities may react differently, and at different times, to changes in market interest rates. We expect that we will periodically experience gaps in the interest rate sensitivities of our assets and liabilities. That means either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. When interest-bearing liabilities mature or re-price more quickly than interest-earning assets, an increase in market rates of interest could reduce our net interest income. Likewise, when interest-earning assets mature or re-price more quickly than interest-bearing liabilities, falling interest rates could reduce our net interest income. We are unable to predict changes in market interest rates, which are affected by many factors beyond our control, including inflation, deflation, recession, unemployment, money supply, domestic and international events and changes in the United States and other financial markets.

We also attempt to manage risk from changes in market interest rates, in part, by controlling the mix of interest rate sensitive assets and interest rate sensitive liabilities. However, interest rate risk management techniques are not exact. A rapid increase or decrease in interest rates could adversely affect our results of operations and financial performance.

The majority of our business is concentrated in Maryland and West Virginia, much of which involves real estate lending, so a decline in the real estate and credit markets could materially and adversely impact our financial condition and results of operations.

Most of the Bank's loans are made to borrowers located in Maryland and West Virginia and many of these loans, including construction and land development loans, are secured by real estate. Accordingly, a decline in local economic conditions would likely have an adverse impact on our financial condition and results of operations, and the impact on us would likely be greater than the impact felt by larger financial institutions whose loan portfolios are geographically diverse.

We cannot guarantee that any risk management practices we implement to address our geographic and loan concentrations will be effective to prevent losses relating to our loan portfolio.

The Bank's concentrations of commercial real estate loans could subject it to increased regulatory scrutiny and directives, which could force us to preserve or raise capital and/or limit future commercial lending activities.

The federal banking regulators believe that institutions that have particularly high concentrations of commercial real estate loans within their lending portfolios face a heightened risk of financial difficulties in the event of adverse changes in the economy and commercial real estate markets. Accordingly, through published guidance, these regulators have directed institutions whose concentrations exceed certain percentages of capital to implement heightened risk management practices appropriate to their concentration risk. The guidance provides that banking regulators may require such institutions to reduce their concentrations and/or maintain higher capital ratios than institutions with lower concentrations in commercial real estate.

At December 31, 2025, our commercial real estate concentrations were below the heightened risk management thresholds set forth in this guidance.

The Bank may experience loan losses in excess of its allowance for credit losses, which would reduce our earnings.

The risk of credit losses on loans varies with, among other things, general economic conditions, the type of loans being made, the creditworthiness of the borrowers over the term of the loans and, in the case of collateralized loans, the value and marketability of the collateral for the loans. Management of the Bank maintains an ACL based upon, among other things, historical experience, an evaluation of economic conditions and regular reviews of delinquencies and loan portfolio quality. Based upon such factors, management makes various assumptions and judgments about the ultimate collectability of the loan portfolio and provides the ACL based upon a percentage of the outstanding balances and for specific loans when their ultimate collectability is considered questionable. If management's assumptions and judgments prove to be incorrect and the ACL is inadequate to absorb future losses, or if the bank regulatory authorities require us to increase the ACL as a part of its examination process, our earnings and capital could be significantly and adversely affected. Although management continually monitors our loan portfolio and makes determinations with respect to the ACL, future adjustments may be necessary if economic conditions differ substantially from the assumptions used or adverse developments arise with respect to our non-performing or performing loans. Material additions to the ACL could result in a material decrease in our net income and capital; and could have a material adverse effect on our financial condition.

We depend on the accuracy and completeness of information about customers and counterparties, and inaccurate, incomplete or misleading information provided to us by these persons could cause us to suffer losses.

In deciding whether to extend credit or enter into other transactions, we rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit

reports or other financial information could have a material adverse impact on our business, financial condition and results of operations.

Our accounting estimates and risk management processes rely on analytical and forecasting models, the inadequacy of which could have a material adverse effect on our financial condition and/or results of operations.

The processes we use to estimate our ACL and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depends upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation, including flaws caused by failures in controls, data management, human error or from the reliance on technology. If the models we use for interest rate risk and asset-liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models we use for estimating our expected credit losses are inadequate, the ACL may not be sufficient to support future charge-offs. If the models we use to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in our analytical or forecasting models could have a material adverse effect on our business, financial condition and results of operations.

The Bank's lending activities subject the Bank to the risk of environmental liabilities.

A significant portion of the Bank's loan portfolio is secured by real property. During the ordinary course of business, the Bank may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Bank may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Bank to incur substantial expenses and may materially reduce the affected property's value or limit the Bank's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Bank's exposure to environmental liability. Although the Bank has policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations.

Our investment securities are subject to market risk and credit risk that may have an adverse impact on our financial condition and results of operation.

At December 31, 2025, investment securities in our investment portfolio having a cost basis of \$123.9 million and a market value of \$107.1 million were classified as available-for-sale pursuant to FASB Accounting Standards Codification ("ASC") Topic 320, *Investments – Debt and Equity Securities*, relating to accounting for investments. Topic 320 requires that unrealized gains and losses in the estimated value of the available-for-sale portfolio be "marked to market" and reflected as a separate item in shareholders' equity (net of tax) as accumulated other comprehensive loss. There can be no assurance that future market performance of our investment portfolio will enable us to realize income from sales of securities. Shareholders' equity will continue to reflect the unrealized gains and losses (net of tax) of these investments. Moreover, there can be no assurance that the market value of our investment portfolio will not decline, causing a corresponding decline in shareholders' equity.

Several factors could affect the market value of our investment portfolio. These include, but are not limited to, changes in interest rates or expectations of changes, the degree of volatility in the securities markets, inflation rates or expectations of inflation and the slope of the interest rate yield curve (the yield curve refers to the differences between shorter-term and longer-term interest rates; a positively sloped yield curve means shorter-term rates are lower than longer-term rates). Also, the passage of time will affect the market values of our investment securities, in that the closer they are

to maturing, the closer the market price should be to par value. These and other factors may impact specific categories of the portfolio differently, and management cannot predict the effect these factors may have on any specific category.

Our investment securities portfolio as a whole is exposed to credit risk associated with rating agency downgrades and defaults of the issuers of those securities. We measure expected credit losses on our investment portfolio through our current expected credit loss (“CECL”) estimate. Increases to the provision for credit losses would have a negative impact on our results of operations and regulatory capital ratios. Additionally, an insufficient CECL provision may result in additional losses that would have an adverse impact on our results of operations. The investment portfolio’s performance, including the existence of unrealized and unrecognized losses in the portfolio, also may create reputational risk for us, particularly in conjunction with the conditions of the banking industry generally, that could result in deposit outflows or reduced access to funding, or negatively impact our ability to attract and retain prospective customers.

Impairment of goodwill and other intangible assets or deferred tax assets could require charges to earnings, which could result in a negative impact on our results of operations.

Under current accounting standards, goodwill and other intangible assets are subject to impairment tests on at least an annual basis or more frequently if a triggering event occurs or circumstances change that reduce the fair value of a reporting unit below its carrying amount. A decline in the price of the shares of Common Stock or occurrence of a triggering event following any of our quarterly earnings releases and prior to the filing of the periodic report for that period could, under certain circumstances, cause us to perform a goodwill impairment test and result in an impairment charge being recorded for that period which was not reflected in such earnings release. In the event that we conclude that all or a portion of our goodwill and other intangible assets may be impaired, a non-cash charge for the amount of such impairment would be recorded to earnings. Such a charge would have no impact on tangible capital. At December 31, 2025, we had recorded goodwill and other intangible assets of \$11.4 million, representing approximately 5.6% of shareholders’ equity.

At December 31, 2025, our net deferred tax assets were valued at \$8.7 million. Included in that total is \$2.6 million of state net operating loss carryforwards (“NOLs”) associated with separate company tax filings of the Corporation, which we do not expect to use and, thus, we have established a \$2.6 million valuation allowance. A deferred tax asset is reduced by a valuation allowance if, based on the weight of the evidence available, both negative and positive, including the recent trend of quarterly earnings, the Corporation determines that it is more likely than not that some portion or all of the total deferred tax asset will not be realized. Moreover, our ability to utilize our net operating loss carryforwards to offset future taxable income may be significantly limited if we experience an “ownership change,” as determined under Section 382 of the Internal Revenue Code of 1986, as amended (“the Code”). If an ownership change were to occur, the limitations imposed by Section 382 of the Code could result in a portion of our net operating loss carryforwards expiring unused, thereby impairing their value. Section 382’s provisions are complex, and we cannot predict any circumstances surrounding the future ownership of the Common Stock. Accordingly, we cannot provide any assurance that we will not experience an ownership change in the future.

The impact of each of these impairment matters could have a material adverse effect on our business, results of operations, and financial condition.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance by financial institutions or transactional counterparties, could adversely affect our financial condition and results of operations.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships, and we routinely execute transactions with counterparties in the financial industry. Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems.

In addition to the risk that occurrence of such events could adversely impact our ability to engage in routine funding transactions, they could also lead to losses or defaults by us or by other institutions, either of which could have a material adverse effect on our business, results of operations and financial condition.

Increases in FDIC insurance premiums may have a material adverse effect on our results of operations.

In general, we are unable to control the amount of premiums that are required to be paid for FDIC insurance. In October 2022, the FDIC finalized a rule to increase the assessment rate by two basis points beginning in the first quarter of 2023. The increase in the assessment rate for banks is intended to increase the Deposit Insurance Fund (“DIF”) reserve ratio to 1.35%. In early March 2023, the FDIC was appointed receiver for two banks, in each case due primarily to liquidity concerns at those institutions. Promptly following these events, the federal banking regulators announced that the FDIC will use funds from the DIF to ensure that all depositors of the two failed institutions are made whole, at no cost to taxpayers. In November 2023, the FDIC issued a final rule to implement a special assessment to recover losses to the DIF as a result of bank failures that year and the FDIC’s use of the systemic risk exception to cover certain deposits that were otherwise uninsured. In June 2024, due to the increased estimate of losses, the FDIC announced that it projects that the special assessment will be collected for an additional two quarters beyond the initial eight-quarter collection period at a lower rate. The special estimate was based on estimated uninsured deposits at December 31, 2022 (excluding the first \$5.0 billion). The Bank was exempt from this special assessment as its total uninsured deposits were below \$5.0 billion; however, future increases or required repayments in FDIC insurance premiums may materially adversely affect our results of operations.

We operate in a competitive environment, and our inability to effectively compete could adversely and materially impact our financial condition and results of operations.

We operate in a competitive environment, competing for loans, deposits, and customers with commercial banks, savings associations and other financial entities. Competition for deposits comes primarily from other commercial banks, savings associations, credit unions, money market and mutual funds and other investment alternatives. Competition for loans comes primarily from other commercial banks, savings associations, mortgage banking firms, credit unions and other financial intermediaries. Competition for other products, such as securities products, comes from other banks, securities and brokerage companies, and other non-bank financial service providers in our market area. Many of these competitors are much larger in terms of total assets and capitalization, have greater access to capital markets, and/or offer a broader range of financial services than those that we offer. In addition, banks with a larger capitalization and financial intermediaries not subject to bank regulatory restrictions have larger lending limits and are thereby able to serve the needs of larger customers.

In addition, changes to the banking laws over the last several years have facilitated interstate branching, merger and expanded activities by banks and holding companies. For example, the federal Gramm-Leach-Bliley Act (the “GLB Act”) revised the BHC Act and repealed the affiliation provisions of the Glass-Steagall Act of 1933, which, taken together, limited the securities and other non-banking activities of any company that controls an FDIC insured financial institution. As a result, the ability of financial institutions to branch across state lines and the ability of these institutions to engage in previously-prohibited activities are now accepted elements of competition in the banking industry. These changes may bring us into competition with more and a wider array of institutions, which may reduce our ability to attract or retain customers.

Management cannot predict the extent to which we will face such additional competition or the degree to which such competition will impact our financial conditions or results of operations.

The banking industry is heavily regulated; significant regulatory changes could adversely affect our operations.

Our operations will be impacted by current and future legislation and by the policies established from time to time by various federal and state regulatory authorities. The Corporation is subject to supervision by the FRB. The Bank is subject to supervision and periodic examination by the Maryland Office of Financial Regulation, the West Virginia Division of Banking, and the FDIC. Banking regulations, designed primarily for the safety of depositors, may limit a financial institution’s growth and the return to its investors by restricting such activities as the payment of dividends,

mergers with or acquisitions by other institutions, investments, loans and interest rates, interest rates paid on deposits, expansion of branch offices, and the offering of securities or trust services. The Corporation and the Bank are also subject to capitalization guidelines established by federal law and could be subject to enforcement actions to the extent that either is found by regulatory examiners to be undercapitalized. It is not possible to predict what changes, if any, will be made to existing federal and state legislation and regulations or the effect that such changes may have on our future business and earnings prospects. Management also cannot predict the nature or the extent of the effect on our business and earnings of future fiscal or monetary policies, economic controls, or new federal or state legislation. Further, the cost of compliance with regulatory requirements may adversely affect our ability to operate profitably.

The Consumer Financial Protection Bureau may continue to reshape the consumer financial laws through rulemaking and enforcement of the prohibitions against unfair, deceptive and abusive business practices. Compliance with any such change may impact our business operations.

The Consumer Financial Protection Bureau (“CFPB”) has broad rulemaking authority to administer and carry out the provisions of the Dodd-Frank Act with respect to financial institutions that offer covered financial products and services to consumers. The CFPB has also been directed to adopt rules identifying practices or acts that are unfair, deceptive or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The concept of what may be considered to be an “abusive” practice is fluid and can change based on politically-appointed leadership at the CFPB. We have been required to dedicate significant personnel resources to address the compliance burdens imposed by the CFPB’s adoption of various rules, and the adoption of additional rules in the future would likely require us to dedicate even more resources.

Compliance with ever-evolving federal and state laws relating to the handling of information about individuals involves significant expenditure and resources, and any failure by us or our vendors to comply may result in significant liability, negative publicity, and/or an erosion of trust, which could materially adversely affect our business, results of operations, and financial condition.

We are subject to a number of U.S. federal, state, local and foreign laws and regulations relating to consumer privacy and data protection. Under privacy protection provisions of the GLBA and its implementing regulations and guidance, we are limited in our ability to disclose certain non-public information about consumers to nonaffiliated third parties. The GLBA regulates, among other things, the use of certain information about individuals (“non-public personal information”) in the context of the provision of financial services, including by banks and other financial institutions. The GLBA includes both a “Privacy Rule”, which imposes obligations on financial institutions relating to the use or disclosure of non-public personal information, and a “Safeguards Rule”, which imposes obligations on financial institutions and, indirectly, their service providers to implement and maintain physical, administrative and technological measures to protect the security of non-public personal financial information. Any failure to comply with the GLBA could result in substantial financial penalties and significant reputational harm. Multiple states have recently enacted, or are expected to enact, stringent privacy laws, not all of which exempt financial institutions categorically. Many other states are currently reviewing or proposing the need for greater regulation of the collection, sharing, use and other processing of information related to individuals for marketing purposes or otherwise, and there remains increased interest at the federal level as well. Further, to comply with the varying state laws around data breaches, we must maintain adequate security measures, which require significant investments in resources and ongoing attention.

Additionally, laws, regulations, and standards covering marketing, advertising, and other activities conducted by telephone, email, mobile devices, and the internet are or may become applicable to our business, such as the Telephone Consumer Protection Act, the CAN-SPAM Act, and similar state consumer protection and communication privacy laws. We occasionally make telephone calls and/or send SMS text messages to customers. The actual or perceived improper calling of customer phones and/or sending of text messages may subject us to potential risks, including liabilities or claims relating to consumer protection laws such as the Telephone Consumer Protection Act. Numerous class-action suits under federal and state laws have been filed in recent years against companies who conduct telemarketing and/or SMS texting programs, with many resulting in multi-million-dollar settlements to the plaintiffs. Any future such litigation against us could be costly and time-consuming to defend. In particular, the Telephone Consumer Protection Act imposes significant

restrictions on the ability to make telephone calls or send text messages to mobile telephone numbers without the prior consent of the person being contacted. Federal or state regulatory authorities or private litigants may claim that the notices and disclosures we provide, form of consents we obtain, or our outreach practices are not adequate or violate applicable law. This may in the future result in civil claims against us. Claims that we have violated the Telephone Consumer Protection Act could be costly to litigate, whether or not they have merit, and could expose us to substantial statutory damages or costly settlements.

We also send marketing messages via email and are subject to the CAN-SPAM Act. The CAN-SPAM Act imposes certain obligations regarding the content of emails and providing opt-outs (with the corresponding requirement to honor such opt-outs promptly). While we strive to ensure that all of our marketing communications comply with the requirements set forth in the CAN-SPAM Act, any violations could result in the FTC seeking civil penalties against us.

Moreover, we are considered a “user” of consumer reports provided by consumer reporting agencies under the Fair Credit Reporting Act (“FCRA”), as amended by the Fair and Accurate Credit Transactions Act. FCRA regulates and protects consumer information collected by consumer reporting agencies and imposes specific obligations on “users” of consumer reports. Such obligations may include restricting the sharing of information contained in a consumer report, notifying consumers when such reports are used to make an adverse decision, and, in the context of completing employee background checks, providing a notice containing certain disclosures to the consumer and obtaining their consent.

Bank regulators and other regulations, including the Basel III Capital Rules, may require higher capital levels, impacting our ability to pay dividends or repurchase our stock.

The capital standards to which we are subject, including the standards created by the Basel III Capital Rules, may materially limit our ability to use our capital resources and/or could require us to raise additional capital by issuing additional shares of Common Stock or other equity securities. In addition, we could experience increases in deposits and assets as a result of other depository institutions’ difficulties or failures, which would increase the capital that we are required to maintain to support such growth. The issuance of additional equity securities to fund our capital needs could dilute existing stockholders.

A material weakness in our disclosure or internal controls could have an adverse effect on us.

The Corporation is required by the Sarbanes-Oxley Act of 2002 to establish and maintain disclosure controls and procedures and internal control over financial reporting. These control systems are intended to provide reasonable assurance that material information relating to the Corporation is made known to our management and reported as required by the Exchange Act, to provide reasonable assurance regarding the reliability and preparation of our financial statements, and to provide reasonable assurance that fraud and other unauthorized uses of our assets are detected and prevented. We may not be able to maintain controls and procedures that are effective at the reasonable assurance level. If that were to happen, our ability to provide timely and accurate information about the Corporation, including financial information, to investors could be compromised and our results of operations could be harmed. Moreover, if the Corporation or its independent registered public accounting firm were to identify a material weakness in any of those control systems, our reputation could be harmed and investors could lose confidence in us, which could cause the market price of the Corporation’s stock to decline and/or limit the trading market for the shares of the Common Stock.

We may not be able to keep pace with developments in technology.

We use various technologies in conducting our businesses, including telecommunication, data processing, computers, automation, internet-based banking, and debit cards. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. Our future success depends, in part, on our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology driven products and services or be successful in marketing these products and services to our customers.

In addition, our implementation of certain new technologies, such as those related to artificial intelligence, automation and algorithms, in our business processes may have unintended consequences due to their limitations or our failure to use them effectively. In addition, cloud technologies are also critical to the operation of our systems, and our reliance on cloud technologies is growing. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on our business, financial condition and results of operations.

Our operational or communications systems or infrastructure may fail or may be the subject of a breach or cyber-attack that, if successful, could adversely affect our business or disrupt business continuity.

Our business depends heavily on the use of computer systems, the Internet and other means of electronic communication and recordkeeping to process, record, and monitor client transactions and to communicate with clients and other institutions on a continuous basis. As client, industry, public, and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure continue to be safeguarded and monitored for potential failures, disruptions, and breakdowns, whether as a result of events beyond our control or otherwise.

Our business, financial, accounting, data processing, or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control. For example, there could be sudden increases in client transaction volume; electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes, floods, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; occurrences of employee error, fraud, theft, or malfeasance; disruptions caused by technology implementation, including hardware deployment and software updates; and, as described below, cyber-attacks.

Although we have business continuity plans and other safeguards in place, our operations and communications may be adversely affected by significant and widespread disruption to our systems and infrastructure that support our businesses, clients, and teammates. While we continue to evolve and modify our business continuity plans, there can be no assurance in an escalating threat environment that they will be effective in avoiding disruption and business impacts. Our insurance may not be adequate to compensate us for all resulting losses, and the cost to obtain adequate coverage may increase for us or the industry.

Security risks for financial institutions such as ours have dramatically increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication, resources, and activities of hackers, terrorists, activists, industrial spies, insider bad actors, organized crime, and other external parties, including nation state actors. In addition, to access our products and services, clients may use devices and/or software that are beyond our control environment, which may provide additional avenues for attackers to gain access to confidential information. Although we have information security procedures and controls in place, our technologies, systems, networks, and clients' devices and software may become the target of cyber-attacks, information security breaches, business email compromise, or information theft that could result in the unauthorized release, gathering, monitoring, misuse, loss, change, or destruction of our or our clients' or teammates' confidential, proprietary, or other information (including personal identifying information of individuals), or otherwise disrupt our or our clients' or our third parties' business operations. U.S. financial institutions and financial service companies have reported breaches in the security of their websites or other systems, including attempts to shut down access to their networks and/or systems in an attempt to extract compensation from them to regain control. Financial institutions, including the Bank, have experienced distributed denial-of-service attacks, a sophisticated and targeted attack intended to disable or degrade internet service or to sabotage systems.

We and others in our industry are regularly the subject of attempts by attackers to gain unauthorized access to our networks, systems, and data, or to obtain, change, or destroy confidential data (including personal identifying information of individuals) through a variety of means, including computer viruses, malware, business email compromise, and phishing. These attacks may result in unauthorized individuals obtaining access to our confidential information or that of our clients or teammates, or otherwise accessing, compromising, damaging, or disrupting our systems or infrastructure.

We are continuously developing and enhancing our controls, processes, and practices designed to protect our systems, computers, software, data, and networks from attack, damage, or unauthorized access. This continued development and enhancement will require us to expend additional resources, including resources to investigate and remediate any information security vulnerabilities that may be detected. Despite our ongoing investments in security resources, talent, and business practices, we are unable to assure that any security measures will be effective.

If our systems and infrastructure were to be breached, compromised, damaged, or disrupted, or if we were to experience a loss of our confidential information or that of our clients or teammates, we could be subject to serious negative consequences, including disruption of our operations, damage to our reputation, a loss of trust in us on the part of our clients, vendors or other counterparties, client or teammate attrition, reimbursement or other costs, increased compliance costs, significant litigation exposure and legal liability, or regulatory fines, penalties or intervention. Any of these could materially and adversely affect our results of operations, our financial condition, and/or our share price.

A disruption, breach, or failure in the operational systems or infrastructure of our third-party vendors or other service providers, including as a result of cyber-attacks, could adversely affect our business.

Third parties perform significant operational services on our behalf. These third parties with whom we do business or that facilitate our business activities, including exchanges, clearing houses, central clearing counterparties, financial intermediaries, or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints. In particular, operating our business requires us to provide access to client, teammate, and other sensitive Company information to our contractors, consultants, and other third parties and authorized entities. Controls and oversight mechanisms are in place that are designed to limit access to this information and protect it from unauthorized disclosure, theft, and disruption. However, control systems and policies pertaining to system access are subject to errors in design, oversight failure, software failure, human error, intentional subversion, or other compromise resulting in theft, error, loss, or inappropriate use of information or systems to commit fraud, cause embarrassment to us or our executives or to gain competitive advantage. In addition, regulators expect financial institutions to be responsible for all aspects of their performance, including aspects which they delegate to third parties. If a disruption, breach, or failure in the system or infrastructure of any third party with whom we do business occurred, then our business may be materially and adversely affected in a manner similar to if our own systems or infrastructure had been compromised. As has been the case in other major system events in the U.S., our systems and infrastructure may also be attacked, compromised, or damaged as a result of, or as the intended target of, any disruption, breach, or failure in the systems or infrastructure of any third party with whom we do business.

We may be subject to claims and the costs of defensive actions, and such claims and costs could materially and adversely impact our financial condition and results of operations.

Our customers may sue us for losses due to alleged breaches of fiduciary duties, errors and omissions of employees, officers and agents, incomplete documentation, our failure to comply with applicable laws and regulations, or many other reasons. Also, our employees may knowingly or unknowingly violate laws and regulations. Management may not be aware of any violations until after their occurrence. This lack of knowledge may not insulate us from liability. Claims and legal actions will result in legal expenses and could subject us to liabilities that may reduce our profitability and hurt our financial condition.

The loss of key personnel could disrupt our operations and result in reduced earnings.

Our growth and profitability will depend upon our ability to attract and retain skilled managerial, marketing and technical personnel. Competition for qualified personnel in the financial services industry is intense, and there can be no assurance that we will be successful in attracting and retaining such personnel. Our current executive officers provide valuable services based on their many years of experience and in-depth knowledge of the banking industry and the market areas we serve. Due to the intense competition for financial professionals, these key personnel would be difficult to

replace, and an unexpected loss of their services could result in a disruption to the continuity of operations and a possible reduction in earnings.

We are a community banking organization and our ability to maintain our reputation is critical to the success of our business.

We are a community banking organization, and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our current market and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and, therefore, our operating results may be materially adversely affected.

We could be adversely affected by risks associated with future acquisitions and expansions.

Although our core growth strategy is focused around organic growth, we may from time to time consider acquisition and expansion opportunities involving a bank or other entity operating in the financial services industry. We cannot predict if or when we will engage in such a strategic transaction, or the nature or terms of any such transaction. To the extent that we grow through an acquisition, we cannot assure investors that we will be able to adequately and profitably manage that growth or that an acquired business will be integrated into our existing businesses as efficiently or as timely as we may anticipate. Acquiring another business would generally involve risks commonly associated with acquisitions, including:

- increased capital needs;
- increased and new regulatory and compliance requirements;
- implementation or remediation of controls, procedures and policies with respect to the acquired business;
- diversion of management time and focus from operation of our then-existing business to acquisition-integration challenges;
- coordination of product, sales, marketing and program and systems management functions;
- transition of the acquired business's users and customers onto our systems;
- retention of employees from the acquired business;
- integration of employees from the acquired business into our organization;
- integration of the acquired business's accounting, information management, human resources and other administrative systems and operations with ours;
- potential liability for activities of the acquired business prior to the acquisition, including violations of law, commercial disputes and tax and other known and unknown liabilities;
- potential increased litigation or other claims in connection with the acquired business, including claims brought by regulators, terminated employees, customers, former stockholders, vendors, or other third parties; and
- potential goodwill impairment.

Our failure to execute our acquisition strategy could adversely affect our business, results of operations, financial condition and future prospects risks of unknown or contingent liabilities.

New lines of business, products or services may subject us to additional risks.

From time to time, we implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services we

invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business, new product or service and/or new technology could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business, new products or services and/or new technologies could have a material adverse effect on our business, financial condition and results of operations.

Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our sustainability practices may impose additional costs on us or expose us to new or additional risks.

Many companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their sustainability practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased sustainability-related compliance costs could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and our stock price. New government regulations could also result in new or more stringent forms of sustainability oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. Due to divergent stakeholder views on these matters, we are at increased risk that any action, or lack thereof, concerning these matters will be perceived negatively by some stakeholders, which could negatively affect our business and reputation.

Risks Relating to First United Corporation's Securities

The shares of Common Stock are not insured.

The shares of the Common Stock are not deposits and are not insured against loss by the FDIC or any other governmental or private agency.

The shares of Common Stock are not heavily traded.

Shares of the Common Stock are listed on the NASDAQ Global Select Market but are not heavily traded. Securities that are not heavily traded can be more volatile than stock trading in an active public market. Factors such as our financial results, the introduction of new products and services by us or our competitors, changes in the financial estimates by securities analysts, market conditions within the banking industry, the general state of the securities market, general economic condition, and investor speculation as to our future plans and strategies could have a significant impact on the market price and trading volume of the shares of Common Stock. Likewise, events that are unrelated to the Corporation but that affect the equity markets generally, such as national or international health crises, wars, political instability, the loss of investor or depositor confidence due to the failure of one or more financial institutions, and similar factors, could also have a significant impact on the market price and trading volume of the shares of Common Stock. Management cannot predict the extent to which an active public market for shares of Common Stock will develop or be sustained in the future. Accordingly, shareholders may not be able to sell their shares at the volumes, prices, or times that they desire.

Significant sales of shares of Common Stock, or the perception that significant sales may occur in the future, could adversely affect the market price of shares of Common Stock.

The sale of a substantial number of shares of the Common Stock could adversely affect the market price of such shares. The availability of shares for future sale could adversely affect the prevailing market price of shares of Common Stock and could cause the market price of such shares to remain low for a substantial amount of time. In addition, the Corporation may grant equity awards under its equity compensation plans from time to time in effect, including fully-

vested shares of Common Stock. It is possible that if a significant percentage of such available shares were attempted to be sold within a short period of time, the market for the shares would be adversely affected. Management cannot predict whether the market for shares of Common Stock could absorb a large number of attempted sales in a short period of time, regardless of the price at which they might be offered. Even if a substantial number of sales do not occur within a short period of time, the mere existence of this “market overhang” could have a negative impact on the market for the common stock and our ability to raise capital in the future.

The Corporation’s ability to pay dividends on the common stock is subject to the terms of the outstanding TPS Debentures, which prohibit the Corporation from paying dividends during an interest deferral period.

In March 2004, the Corporation issued approximately \$30.9 million, in the aggregate, of junior subordinated debentures (“TPS Debentures”) to the Trusts in connection with the Trusts’ sales to third party investors of \$30.0 million, in the aggregate, in mandatorily redeemable preferred capital securities. The terms of the TPS Debentures require the Corporation to make quarterly payments of interest to the Trusts, as the holders of the TPS Debentures, although the Corporation has the right to defer payments of interest for up to 20 consecutive quarterly periods, and the Corporation has exercised this deferral right in the past. An election to defer interest payments does not constitute an event of default under the terms of the TPS Debentures. The terms of the TPS Debentures prohibit the Corporation from declaring or paying any dividends or making other distributions on, or from repurchasing, redeeming or otherwise acquiring, any shares of its capital securities, including the common stock, if the Corporation elects to defer quarterly interest payments under the TPS Debentures. In addition, a deferral election will require the Trusts to likewise defer the payment of quarterly dividends on their related trust preferred securities.

Applicable banking and Maryland laws impose additional restrictions on the ability of the Corporation and the Bank to pay dividends and make other distributions on their capital securities, and, in any event, the payment of dividends is at the discretion of the boards of directors of the Corporation and the Bank.

In the past, the Corporation has funded dividends on its capital securities using cash received from the Bank, and this will likely be the case for the foreseeable future. No assurance can be given that the Bank will be able to pay dividends to the Corporation for these purposes at times and/or in amounts requested by the Corporation. Both federal and state laws impose restrictions on the ability of the Bank to pay dividends. Under Maryland law, a state-chartered commercial bank may pay dividends only out of undivided profits or, with the prior approval of the Maryland Commissioner, from surplus in excess of 100% of required capital stock. If, however, the surplus of a Maryland bank is less than 100% of its required capital stock, cash dividends may not be paid in excess of 90% of net earnings. In addition to these specific restrictions, bank regulatory agencies have the ability to prohibit proposed dividends by a financial institution which would otherwise be permitted under applicable regulations if the regulatory body determines that such distribution would constitute an unsafe or unsound practice.

Banks that are considered “troubled institution” are prohibited by federal law from paying dividends altogether. Notwithstanding the foregoing, shareholders must understand that the declaration and payment of dividends and the amounts thereof are at the discretion of the Corporation’s Board of Directors. Thus, even at times when the Corporation is not prohibited from paying cash dividends on its capital securities, neither the payment of such dividends nor the amounts thereof can be guaranteed.

The Corporation’s charter and bylaws and Maryland law may discourage a corporate takeover.

The Corporation’s charter and its bylaws (the “Bylaws”) contain certain provisions designed to enhance the ability of the Corporation’s Board of Directors to deal with attempts to acquire control of the Corporation. First, the Board of Directors is a declassified board structure. Each director serves for a one-year term, and no director may be removed except for cause, and then only by the affirmative vote of either a majority of the entire Board of Directors or a majority of the outstanding voting stock. Second, the Board has the authority to classify and reclassify unissued shares of stock of any class or series of stock by setting, fixing, eliminating, or altering in any one or more respects the preferences, rights, voting powers, restrictions and qualifications of, dividends on, and redemption, conversion, exchange, and other rights of, such securities. The Board could use this authority, along with its authority to authorize the issuance of securities of any class or series, to issue shares having terms favorable to management or to a person or persons affiliated with or otherwise

friendly to management. In addition, the Bylaws require any shareholder who desires to nominate a director to abide by strict notice requirements.

Maryland laws include provisions that could discourage a sale or takeover of the Corporation. The Maryland Business Combination Act generally prohibits, subject to certain limited exceptions, corporations from being involved in any “business combination” (defined as a variety of transactions, including a merger, consolidation, share exchange, asset transfer or issuance or reclassification of equity securities) with any “interested shareholder” for a period of five years following the most recent date on which the interested shareholder became an interested shareholder. An interested shareholder is defined generally as a person who is the beneficial owner of 10% or more of the voting power of the outstanding voting stock of the corporation after the date on which the corporation had 100 or more beneficial owners of its stock or who is an affiliate or associate of the corporation and was the beneficial owner, directly or indirectly, of 10% percent or more of the voting power of the then outstanding stock of the corporation at any time within the two-year period immediately prior to the date in question and after the date on which the corporation had 100 or more beneficial owners of its stock. The Maryland Control Share Acquisition Act applies to acquisitions of “control shares”, which, subject to certain exceptions, are shares the acquisition of which entitle the holder, directly or indirectly, to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors within any of the following ranges of voting power: one-tenth or more, but less than one-third of all voting power; one-third or more, but less than a majority of all voting power or a majority or more of all voting power. Control shares have limited voting rights. Maryland banking laws provide that the Maryland Commissioner must approve certain acquisitions of the common stock of the Corporation and/or the Bank, and these laws impose penalties on persons who effect such acquisitions without approval, including a five-year voting prohibition.

Although these provisions do not preclude a sale or takeover, they may have the effect of discouraging, delaying or deferring a sale, tender offer, or takeover attempt that a shareholder might consider in his or her best interest, including those attempts that might result in a premium over the market price for the common stock. Such provisions will also render the removal of the Board of Directors and of management more difficult and, therefore, may serve to perpetuate current management. These provisions could potentially adversely affect the market prices of the Corporation’s securities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management Strategy

Our risk management program is designed to identify, assess, and mitigate risks across various aspects of the Corporation, including financial, operational, reputational, and legal. Cybersecurity is a critical component of this program, given the increasing reliance on technology and potential of cyber threats. Our Cyber Security Initiative (“CSI”) committee led by our Information Security Officer is primarily responsible for this cybersecurity component and is a key member of the risk management committee. The Information Security Officer reports directly to the Managing Director of Operations and, as discussed below, regularly to the Risk and Compliance Committee of our board of directors.

Our objective for managing cybersecurity risk is to avoid or minimize the impacts of external threat events or other efforts to penetrate, disrupt or misuse our systems or information. The structure of our information security program is designed around the Cyber Risk Institute’s cybersecurity profile designed specifically for the financial services industry, regulatory guidance, and other industry standards. In addition, we leverage certain industry and government associations, third-party benchmarking, audits, and threat intelligence feeds to facilitate and promote program effectiveness. Our Information Security Officer, along with key members of our risk management committee, regularly collaborate with peer banks, industry groups, and policymakers to discuss cybersecurity trends and issues and identify best practices. The

information security program is periodically reviewed by such personnel with the goal of addressing changing threats and conditions.

We employ an in-depth, layered, defensive strategy that embraces a “never trust, always verify” philosophy when designing new products, services, and technology. We leverage people, processes, and technology as part of our efforts to manage and maintain cybersecurity controls. We also employ a variety of preventative and detective tools designed to monitor, block, and provide alerts regarding suspicious activity, as well as to report on suspected advanced persistent threats.

We have established processes and systems designed to mitigate cyber risk, including regular and on-going education and training for employees, preparedness simulations and tabletop exercises, and recovery and resilience tests. We engage in regular assessments of our infrastructure, software systems, and network architecture, using internal cybersecurity experts, external penetration testers, and third-party specialists. We also maintain a third-party risk management program designed to identify, assess, and manage risks, including cybersecurity risks, associated with external service providers and our supply chain. We also actively monitor our email gateways for malicious phishing email campaigns and monitor remote connections as a significant portion of our workforce has the option to work remotely. We have optimized our vulnerability management program that scans devices every four hours, and we have strict key performance metrics to ensure vulnerabilities are remediated quickly. We leverage internal and external auditors and independent external partners to periodically review our processes, systems, and controls, including our information security program, to assess their design and operating effectiveness and make recommendations to strengthen our risk management program.

We maintain an Incident Response Plan that provides a documented framework for responding to actual or potential cybersecurity incidents, including timely notification of and escalation to the appropriate Board-approved management committees, as discussed further below, and the Risk and Compliance Committee of our board of directors. The Incident Response Plan is coordinated through the Chief Operating Officer and key members of management are embedded into the Plan by its design. The Incident Response Plan facilitates coordination across multiple parts of our organization and is evaluated at least annually.

Notwithstanding our defensive measures and processes, the threat posed by cyber-attacks is severe. Our internal systems, processes, and controls are designed to mitigate loss from cyber-attacks and, while we have experienced cybersecurity incidents in the past, to date, risks from cybersecurity threats have not materially affected our Company. For further discussion of risks from cybersecurity threats, see the section captioned “A disruption, breach, or failure in the operational systems or infrastructure of our third-party vendors or other service providers, including as a result of cyber-attacks, could adversely affect our business” in Item 1A. Risk Factors.

Governance

Our Information Security Officer and Director of Information Technology is accountable for managing our enterprise information security processes and procedures and delivering our information security program. The responsibilities of this department include cybersecurity risk assessment, incident response and business resilience, vulnerability assessment, threat intelligence, identity access governance, enterprise risk management, and third-party risk management. The foregoing responsibilities are covered on a day-to-day basis by a first line of defense function, and our second line of defense function, including the CSI Committee, provides guidance, oversight, monitoring, and challenge of the first line’s activities. The Committee as a whole, consists of information security professionals with varying degrees of education and experience as well as information technology professionals, and audit and fraud professionals. Individuals within the Committee are generally subject to professional education and certification requirements. In particular, our Information Security Officer has the necessary relevant expertise and formal training in the areas of information security and cybersecurity risk management.

Our board of directors has approved management committees including the CSI Committee, which focuses on technology impact, and the Risk Management Committee, which focuses on business impact. These committees provide oversight and governance of the technology program and the information security program. There are also three technology steering committees that plan and guide technology projects in alignment with the Corporation’s strategic plan.

These committees are chaired by managers and experts within the Corporation and include the Chief Operating Officer, as well as his direct reports and other key departmental managers from throughout the entire company. These committees meet regularly to provide oversight of the risk management strategy, standards, policies, practices, controls, and mitigation to facilitate timely information and monitoring efforts. The Information Security Officer reports summaries of key issues, including significant cybersecurity and/or privacy incidents, discussed at committee meetings and the actions taken to the Risk and Compliance Committee of our board of directors on a quarterly basis (or more frequently as may be required by the Incident Response Plan).

The Risk and Compliance Committee of our board of directors is responsible for overseeing our information security and technology programs, including management's actions to identify, assess, mitigate, and remediate or prevent material cybersecurity issues and risks. Our CSI Committee provides quarterly reports to the Risk and Compliance Committee of our board of directors regarding the information security program and the technology program, key enterprise cybersecurity initiatives, and other matters relating to cybersecurity processes. The Risk and Compliance Committee of our board of directors reviews and approves our information security and technology budgets and strategies annually. Additionally, the Risk and Compliance Committee of our board of directors reviews our cyber security risk profile on a regular basis. The Risk and Compliance Committee of our board of directors provides a report of their activities to the full board of directors at board meetings.

ITEM 2. PROPERTIES

The headquarters of the Corporation and the Bank occupies approximately 29,000 square feet at 19 South Second Street, Oakland, Maryland, and a 30,000 square feet operations center located at 12892 Garrett Highway, Oakland Maryland. These premises are owned by the Corporation. The Bank owns 20 of its banking offices and leases three. Total rent expense on the leased offices and properties was \$0.4 million in 2025.

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shares of the Corporation's common stock are listed on the NASDAQ Global Select Market under the symbol "FUNC". As of February 27, 2026, issued and outstanding shares of Common Stock were held by 1,247 shareholders of record.

The ability of the Corporation to declare dividends is limited by federal banking laws and Maryland corporation laws. Subject to these and the terms of its other securities, including the TPS Debentures, the payment of dividends on the shares of common stock and the amounts thereof are at the discretion of the Corporation's board of directors. Cash dividends are typically declared on a quarterly basis. When paid, dividends to shareholders are dependent on the ability of the Corporation's subsidiaries, especially the Bank, to declare dividends to the Corporation. Like the Corporation, the Bank's ability to declare and pay dividends is subject to limitations imposed by federal and Maryland banking and Maryland corporation laws. A complete discussion of these and other dividend restrictions is contained in Item 1A of Part I of this annual report under the heading "*Risks Relating to First United Corporation's Securities*" and in Note 3 to the Consolidated Financial Statements, both of which are incorporated herein by reference. Accordingly, there can be no assurance that dividends will be declared on the shares of common stock in any future fiscal quarter.

The Corporation's Board of Directors periodically evaluates the Corporation's dividend policy, both internally and in consultation with the FRB.

Issuer Repurchases

Neither First United Corporation nor any of its affiliated purchasers (as defined in Rule 10b-18 promulgated under the Exchange Act) purchased any shares of Common Stock during the three-month period ended December 31, 2025.

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and notes thereto for the years ended December 31, 2025 and 2024, which are included in Item 8 of Part II of this annual report.

Overview

First United Corporation is a financial holding company that, through the Bank and its non-bank subsidiaries, provides an array of financial products and services primarily to customers in four Western Maryland counties and three Northeastern West Virginia counties. Its principal operating subsidiary is the Bank, which consists of a community banking network of 23 branch offices located throughout its market areas. Our primary sources of revenue are interest income earned from our loan and investment securities portfolios and fees earned from financial services provided to customers.

For the years ended December 31, 2025 and 2024, net income was \$24.5 million and \$20.6 million, respectively, on a generally accepted accounting principles ("GAAP") basis. Net income for the year ended December 31, 2025 was inclusive of a \$1.3 million write-down, net of tax, on other real estate owned ("OREO") property, a \$0.2 million loss, net of tax, on disposal of fixed assets, and a \$0.1 million gain, net of tax, on sale of available-for-sale ("AFS") investment securities and adjusted net income was \$25.8 million on a non-GAAP basis. Net income for the year ended December 31, 2024 was inclusive of a \$0.4 million increase in expenses, net of tax, related to announced branch closures and adjusted net income was \$21.0 million on a non-GAAP basis.

The provision for credit losses on loans was \$2.3 million for the year ended December 31, 2025 and \$2.9 million for the year ended December 31, 2024. Net charge-offs of \$1.0 million were recorded for the year ended December 31, 2025, compared to \$2.2 million for 2024. The ratio of the ACL to loans outstanding was 1.28% at December 31, 2025 compared to 1.23% at December 31, 2024.

Net interest income, on a non-GAAP, fully-taxable equivalent ("FTE") basis, increased by \$8.1 million in 2025 when compared to 2024. Interest income increased by \$8.8 million, which was partially offset by a \$0.7 million increase in interest expense. The net interest margin was 3.67% and 3.38% for the years ending December 31, 2025 and 2024, respectively.

Management continues to place a strong focus on margin management as we move into 2026. Higher cash levels at December 31, 2025 should allow us to repay outstanding debt and brokered deposits at their maturities.

Other operating income, including net gains on sales of mortgage loans, sales of investment securities and disposal of fixed assets, increased by approximately \$0.7 million when compared to 2024. This increase was attributable to a \$0.7 million increase in wealth management income, driven by improving market conditions, increased annuity sales, and growth in new and existing customer relationships. Net gains, service charge income and debit card income were stable when comparing the year ended December 31, 2025 to the same period of 2024.

Other operating expenses increased by \$3.8 million when compared to the year ended December 31, 2024. Salaries and employee benefits increased by \$1.3 million related to normal merit increases effective April 1, 2025, increased salary expense as a result of increased staffing levels as we enhanced our sales team in Morgantown, WV, increases in incentives, and 401(k) expenses, offset by reduced life and health insurance costs related to reduced claims in 2025. Net OREO expenses increased by \$2.0 million related to the fair value write-down of one OREO property. The write-down was attributable to a legacy participation loan, originated in 2013, that was taken into OREO several years ago. The property is serviced by another lender and, following the cancellation of a previous contract, the Company made the decision, alongside other participants, to entertain a new letter of intent and to mark the property based on the new fair value. Data processing expenses increased by \$0.5 million due primarily to increased software agreements, and professional services expenses increased by \$0.5 million driven by increased audit fees. These increases were partially offset by a \$0.5 million decrease in occupancy and equipment expenses related to accelerated depreciation expense related to branch closures that were recognized in the first quarter of 2024.

Outstanding gross loans of \$1.5 billion at December 31, 2025 reflected growth of \$40.9 million in 2025. Since December 31, 2024, commercial real estate loans increased by \$44.4 million, acquisition and development loans decreased by \$5.0 million as construction projects were completed and rolled into permanent financing, commercial and industrial loans decreased by \$10.5 million, residential mortgage loans increased by \$18.1 million, and consumer loans decreased by \$6.1 million as production continued to be outpaced by amortization. Commercial growth was offset during 2025 by unusually high payoffs as a result of clients utilizing cash to repay or consolidate debt.

Total deposits at December 31, 2025 increased by \$160.3 million when compared to December 31, 2024. In January 2025, \$50.0 million in brokered time deposits with an average interest rate of 4.24% were obtained to fund the repayment of \$50.0 million in overnight borrowings that were outstanding on December 31, 2024. Savings and money market accounts increased by \$70.2 million due primarily to the expansion of current and new relationships throughout 2025. Non-interest-bearing checking deposits increased by \$26.3 million due primarily to seasonal fluctuations of deposit balances of two commercial customers in the healthcare sector, and interest-bearing checking deposits increased by \$6.0 million as we experienced seasonal fluctuations in municipal and commercial account balances. Retail time deposits increased by \$7.8 million since December 31, 2024. We repaid a \$25.0 million brokered time deposit at its maturity in January 2026.

Estimates and Critical Accounting Policies

This discussion and analysis of our financial condition and results of operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. (See Note 1 to the Consolidated Financial Statements.) On an on-going basis, management evaluates estimates and bases those estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The Corporation identifies the following critical accounting policies may affect our more significant judgments and estimates used in the preparation of the Consolidated Financial Statements.

Allowance for Credit Losses- Loans

The ACL represents an amount which, in management's judgment, is adequate to absorb expected credit losses over the life of outstanding loans as of the balance sheet date based on the evaluation of current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience. The ACL is measured and recorded upon the initial recognition of a financial asset. The ACL is reduced by charge-offs, net of recoveries of previous losses, and is increased by a provision or decreased by a recovery for credit losses, which is recorded as a current period operating expense.

Determination of an appropriate ACL is inherently complex and requires the use of significant and highly subjective estimates. The reasonableness of the ACL is reviewed quarterly by management.

Management believes that it uses relevant information available to make determinations about the ACL and that it has established the existing allowance in accordance with GAAP. However, the determination of the ACL requires significant judgment, and estimates of expected credit losses in the loan portfolio can vary from the amounts actually observed. While management uses available information to recognize expected credit losses, future additions to the ACL may be necessary based on changes in the loans comprising the portfolio, changes in the current and forecasted economic conditions, changes to the interest rate environment which may directly impact prepayment and curtailment rate assumptions, and changes in the financial conditions of borrowers.

The ACL “base case” model is derived from various economic forecasts provided by widely recognized sources. Management evaluates the variability of market conditions by examining the peak and trough of economic cycles. These peaks and troughs are used to stress the base case model to develop a range of potential outcomes. Management then determines the appropriate reserve through an evaluation of these various outcomes relative to current economic conditions and known risks in the portfolio. For the year ended December 31, 2025, the range of outcomes would produce a 10.54% reduction or a 48.15% increase in reserves based on the best-case and worst-case scenarios, respectively.

The ACL is also discussed below in Item 7 under the heading “Allowance for Credit Losses” and in Note 5 to the Consolidated Financial Statements.

Liquidity Sources

As of December 31, 2025, we had approximately \$140.0 million in unsecured lines of credit with our correspondent banks, \$83.9 million available through a secured line of credit with the Federal Reserve Discount Window, and approximately \$261.6 million of secured borrowings with the FHLB. Additionally, we have access to the brokered money market and certificates of deposit markets.

Capital

The Bank’s capital ratios are strong, and the Bank is considered to be well-capitalized by applicable regulatory measures.

Adoption of New Accounting Standards and Effects of New Accounting Pronouncements

Note 1 to the Consolidated Financial Statements discusses new accounting pronouncements that, when adopted, could affect our future consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME REVIEW

Net Interest Income

Net interest income is our largest source of operating revenue and is the difference between the interest that we earn on our interest-earning assets and the interest expense we incur on our interest-bearing liabilities. For analytical and discussion purposes, net interest income is adjusted to an FTE basis to facilitate performance comparisons between taxable and tax-exempt assets by increasing tax-exempt income by an amount equal to the federal income taxes that would have been paid if this income were taxable at the statutorily applicable rate. This is a non-GAAP disclosure, and it is not materially different than the corresponding GAAP disclosure.

The table below summarizes net interest income for 2025 and 2024.

(in thousands)	GAAP		Non-GAAP - FTE	
	2025	2024	2025	2024
Interest income	\$ 100,848	\$ 91,993	\$ 101,066	\$ 92,222
Interest expense	32,735	32,015	32,735	32,015
Net interest income	\$ 68,113	\$ 59,978	\$ 68,331	\$ 60,207
Net interest margin %	3.66%	3.36%	3.67%	3.38%

Net interest income, on a non-GAAP, FTE basis, increased by \$8.1 million (13.5%) during the year ended December 31, 2025 when compared to the year ended December 31, 2024, driven by a \$8.8 million (9.6%) increase in interest income, which was partially offset by an increase in interest expense of \$0.7 million (2.2%). The net interest margin, on an FTE basis, increased to 3.67% for the year ended December 31, 2025 from 3.38% for the year ended December 31, 2024.

Comparing the year ended December 31, 2025 with the year ended December 31, 2024, interest income increased by \$8.8 million driven by an increase of \$8.6 million on interest and fees on loans, as average loan balances increased by \$68.8 million and the overall yield increased by 31 basis points in correlation with upward repricing of adjustable-rate loans.

Interest income on the investment portfolio increased by \$0.5 million as a result of reinvesting the cashflow back into the portfolio in an effort to increase the overall yield in the current rate environment.

Interest expense increased by \$0.7 million as a result of a \$1.7 million increase in interest on deposits, as the average deposit balances increased by \$90.0 million, driven by a \$70.9 million increase in retail money market average balances and \$30.9 million increase in average brokered time deposits, partially offset by decreases in average savings balances of \$14.8 million. The overall rate paid on deposits decreased by 3 basis points. Interest expense on short-term borrowings decreased by \$1.4 million due to the Bank's utilization of the BTFP program in 2024 and subsequent repayment of the balances due under that program late in the third quarter of 2024. Long-term borrowing costs increased by \$0.4 million as a result of an increase of \$21.6 million in FHLB average balances due to borrowings obtained in the third quarter of 2024 and subsequent repayment of a \$25.0 million advance at its maturity in September 2025, partially offset by a decrease in rate paid of 60 basis points.

As shown below, the composition of total interest income between 2025 and 2024 remained relatively stable.

	% of Total Interest Income	
	2025	2024
Interest and fees on loans	90%	89%
Interest on investment securities	7%	8%
Other	3%	3%

The following table sets forth the average balances, net interest income and expense, and average yields and rates for our interest-earning assets and interest-bearing liabilities for 2025 and 2024:

**Distribution of Assets, Liabilities and Shareholders' Equity
Interest Rates and Interest Differential – Tax Equivalent Basis**

	For the Years Ended December 31					
	2025			2024		
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate
(in thousands)						
Assets						
Loans	\$ 1,496,125	\$ 90,374	6.04 %	\$ 1,427,351	\$ 81,819	5.73 %
Investment Securities:						
Taxable	284,659	7,210	2.53 %	285,661	6,760	2.37 %
Non-taxable	7,246	390	5.38 %	7,538	375	4.97 %
Total	291,905	7,600	2.60 %	293,199	7,135	2.43 %
Federal funds sold	62,744	2,623	4.18 %	55,117	2,874	5.21 %
Interest-bearing deposits with other banks	6,152	89	1.45 %	2,009	91	4.53 %
Other interest earning assets	5,467	380	6.95 %	4,565	303	6.64 %
Total earning assets	1,862,393	101,066	5.43 %	1,782,241	92,222	5.17 %
Allowance for credit losses	(18,963)			(18,064)		
Non-earning assets	178,572			182,548		
Total Assets	\$ 2,022,002			\$ 1,946,725		
Liabilities and Shareholders' Equity						
Interest-bearing demand deposits	\$ 370,516	\$ 6,355	1.72 %	\$ 368,725	\$ 6,288	1.71 %
Interest-bearing money markets- retail	484,238	14,694	3.03 %	413,353	14,287	3.46 %
Interest-bearing money markets- brokered	281	7	2.49 %	55	3	5.45 %
Savings deposits	165,625	172	0.10 %	180,393	183	0.10 %
Time deposits - Retail	148,214	4,299	2.90 %	147,193	4,226	2.87 %
Time deposits - Brokered	46,558	1,997	4.29 %	15,697	841	5.36 %
Total deposits	1,215,432	27,524	2.26 %	1,125,416	25,828	2.29 %
Short-term borrowings	20,810	75	0.36 %	58,444	1,477	2.53 %
Long-term borrowings	113,806	5,136	4.51 %	92,213	4,710	5.11 %
Total interest-bearing liabilities	1,350,048	32,735	2.42 %	1,276,073	32,015	2.51 %
Non-interest-bearing deposits	447,553			468,137		
Other liabilities	31,400			33,326		
Shareholders' Equity	193,001			169,189		
Total Liabilities and Shareholders' Equity	\$ 2,022,002			\$ 1,946,725		
Net interest income and spread		\$ 68,331	3.01 %		\$ 60,207	2.66 %
Net interest margin			3.67 %			3.38 %

Notes:

- (1) The above table reflects the average rates earned or paid stated on an FTE basis assuming a tax rate of 21% for 2025 and 2024. Non-GAAP interest income on an FTE basis for the years ended December 31, 2025 and 2024 were \$218 and \$229, respectively.
- (2) Average balances are presented on a daily average basis.
- (3) The average balances of non-accrual loans for the years ended December 31, 2025 and 2024, which were reported in the average loan balances for these years, were \$3,640 and \$8,471, respectively.
- (4) Net interest margin is calculated as net interest income divided by average earning assets.
- (5) The average yields on investments are based on amortized cost.

The following table sets forth an analysis of volume and rate changes in interest income and interest expense of our average interest-earning assets and average interest-bearing liabilities for 2025 and 2024. This table distinguishes between the changes related to average outstanding balances (changes in volume created by holding the interest rate constant) and the changes related to average interest rates (changes in interest income or expense attributed to average rates created by holding the outstanding balance constant).

Interest Variance Analysis (1)

(in thousands and tax equivalent basis)	2025 Compared to 2024		
	Volume	Rate	Net
Interest Income:			
Loans	\$ 3,941	\$ 4,614	\$ 8,555
Taxable investments	(24)	474	450
Non-taxable investments	(15)	30	15
Federal funds sold	397	(648)	(251)
Interest-bearing deposits	188	(190)	(2)
Other interest earning assets	60	17	77
Total interest income	4,547	4,297	8,844
Interest Expense:			
Interest-bearing demand deposits	31	36	67
Interest-bearing money markets- retail	2,453	(2,046)	407
Interest-bearing money markets- brokered	12	(8)	4
Savings deposits	(15)	4	(11)
Time deposits - retail	29	44	73
Time deposits - brokered	1,654	(498)	1,156
Short-term borrowings	(952)	(450)	(1,402)
Long-term borrowings	1,103	(677)	426
Total interest expense	4,315	(3,595)	720
Net interest income	\$ 232	\$ 7,892	\$ 8,124

Note:

- (1) The change in interest income/expense due to both volume and rate has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

Provision for Credit Losses

The provision for credit losses for loans was \$2.3 million for the year ended December 31, 2025 and \$2.9 million for the year ended December 31, 2024. Net charge-offs of \$1.0 million were recorded for the year ended December 31, 2025 compared to net charge-offs of \$2.2 million for 2024. The ratio of the ACL to loans outstanding was 1.28% at December 31, 2025 compared to 1.23% at December 31, 2024. The ACL reflects a level commensurate with the risk inherent in our loan portfolio.

Other Operating Income

The following table shows the major components of other operating income for the past two years, exclusive of net gains, and the percentage changes during these years:

(in thousands)	2025	2024	% Change
Service charges on deposit accounts	\$ 2,255	\$ 2,220	1.58%
Other service charges	845	887	(4.74)%
Trust department income	9,824	9,094	8.03%
Debit card income	4,057	4,065	(0.20)%
Bank owned life insurance	1,408	1,345	4.68%
Brokerage commissions	1,445	1,449	(0.28)%
Other income	332	351	(5.41)%
Total other operating income	<u>\$ 20,166</u>	<u>\$ 19,411</u>	3.89%

Other operating income, exclusive of gains, increased by \$0.8 million for the year ended December 31, 2025 when compared to the same period of 2024. The increase was primarily a result of an increase of \$0.7 million in wealth management income due to increased market values of assets under management, increased annuity sales and growth in new and existing customer relationships.

Net gains of \$0.4 million were reported for the years ended December 31, 2025 and 2024, as a \$0.1 million increase in gains from the sales of residential mortgages and a \$0.1 million increase in net gains on sales of investment securities was offset by a \$0.2 million loss on the disposal of fixed assets.

The following table shows the components of net gains for the years ended December 31, 2025 and 2024.

(in thousands)	2025	2024
Net gains:		
Available-for-sale securities:		
Realized gains from sales and calls	\$ 203	\$ —
Realized losses from sales and calls	(106)	—
Gains on sale of loans held for sale	533	414
Losses on disposal of fixed assets	(228)	—
Net gains	<u>\$ 402</u>	<u>\$ 414</u>

Other Operating Expense

The following table compares the major components of other operating expense for 2025 and 2024:

(in thousands)	2025	2024	% Change
Salaries and employee benefits	\$ 29,347	\$ 28,029	4.70%
FDIC premiums	1,051	1,070	(1.78)%
Equipment	2,217	2,675	(17.12)%
Occupancy	2,860	2,878	(0.63)%
Data processing	6,243	5,761	8.37%
Marketing	904	674	34.12%
Professional services	2,449	1,948	25.72%
Contract labor	634	597	6.20%
Line rentals	380	408	(6.86)%
Total OREO expenses, net	2,235	271	724.72%
Investor relations	306	293	4.44%
Contributions	344	234	47.01%
Other expenses	4,435	4,802	(7.64)%
Total other operating expense	<u>\$ 53,405</u>	<u>\$ 49,640</u>	7.58%

For the year ended December 31, 2025, non-interest expense increased by \$3.8 million when compared to the year ended December 31, 2024. Salaries and employee benefits increased by \$1.3 million related to normal merit increases effective April 1, 2025, increased salary expense as a result of increased staffing levels as we enhanced our sales team in Morgantown, WV, increases in incentives, and 401(k) expenses, offset by reduced life and health insurance costs related to reduced claims in 2025. Net OREO expenses increased by \$2.0 million due to the previously mentioned fair value write-down and expenses recorded in the fourth quarter of 2025. Data processing expenses increased by \$0.5 million due primarily to increased software agreements, and professional services expenses increased by \$0.5 million driven by increased audit fees. These increases were partially offset by a \$0.5 million decrease in occupancy and equipment expenses related to accelerated depreciation expense related to branch closures that were recognized in the first quarter of 2024.

Applicable Income Taxes

We recognized a tax expense of \$8.0 million in 2025 compared to a tax expense of \$6.7 million in 2024. See the discussion under “Income Taxes” in Note 12 to the Consolidated Financial Statements presented elsewhere in this annual report for a detailed analysis of our deferred tax assets and liabilities. Our effective income tax rate as a percentage of income for the years ended December 31, 2025 and December 31, 2024 was 24.6% and 24.5%, respectively. The increase in the tax rate for the 2025 period was primarily related to changes in allocations of state income tax expense.

At December 31, 2025, the Corporation had Maryland Net Operating Losses (“NOLs”) of \$34.9 million for which a deferred tax asset of \$2.3 million has been recorded. There was also a Maryland state interest expense carryforward of \$4.4 million, for which a deferred tax asset of \$0.3 million has been recorded. There has been and continues to be a full valuation allowance on these NOLs and interest expense deferred tax assets, based on management’s belief that it is more likely than not that these NOLs will not be realized prior to the expiration of their carry-forward periods because the Corporation will not generate sufficient taxable income in the future to fully utilize the NOLs. The valuation allowance was \$2.6 million at both December 31, 2025 and 2024.

We have concluded that no valuation allowance is deemed necessary for our remaining federal and state deferred tax assets at December 31, 2025, as it is more likely than not that they will be realized based on the expected reversal of deferred tax liabilities, the generation of future income sufficient to realize the deferred tax assets as they reverse, and the ability to implement tax planning strategies to prevent the expiration of any carry-forward periods.

GAAP and Non-GAAP Measures

The following tables sets forth certain selected financial data for the years ended December 31, 2025 and 2024 under GAAP (as reported) and non-GAAP. A non-GAAP financial measure is a numerical measure of historical or future financial performance, financial position or cash flows that excludes or includes amounts that are required to be disclosed in the most directly comparable measure calculated and presented in accordance with GAAP in the United States. The Corporation's management believes that the presentation of non-GAAP financial measures provides investors with a greater understanding of the Corporation's operating results in addition to the results measured in accordance with GAAP. While management uses these non-GAAP measures in its analysis of the Corporation's performance, this information should not be viewed as a substitute for financial results determined in accordance with GAAP or considered to be more important than financial results determined in accordance with GAAP.

The following non-GAAP financial measures exclude net gains on the sale of investment securities, losses on disposal of fixed assets and a write-down of OREO in 2025 and accelerated depreciation and lease termination expenses related to the branch closures in 2024.

	For the year ended December 31,	
	2025	2024
Per Share Data		
Basic net income per share - as reported	\$ 3.78	\$ 3.15
Basic net income per share - non-GAAP	3.98	3.21
Diluted net income per share - as reported	\$ 3.77	\$ 3.15
Diluted net income per share - non-GAAP	3.97	3.21
Significant Ratios:		
Return on Average Assets - as reported	1.21 %	1.06 %
Loss on write-down of OREO property	0.08	—
Loss on disposal of fixed assets	0.02	—
Net gains on sale of investment securities	(0.01)	—
Accelerated depreciation and lease termination expenses	—	0.03
Income tax effect of adjustments	(0.02)	(0.01)
Adjusted Return on Average Assets (non-GAAP)	1.28 %	1.08 %
Return on Average Equity - as reported	12.70 %	12.16 %
Loss on write-down of OREO property	0.85	—
Loss on disposal of fixed assets	0.12	—
Net gains on sale of investment securities	(0.05)	—
Accelerated depreciation and lease termination expenses	—	0.34
Income tax effect of adjustments	(0.23)	(0.08)
Adjusted Return on Average Equity (non-GAAP)	13.39 %	12.42 %

(in thousands, except for per share amount)	Year Ended	
	2025	2024
Net income - as reported	\$ 24,515	\$ 20,569
Adjustments:		
Loss on write-down of OREO property	1,635	—
Loss on disposal of fixed assets	228	—
Net gains on sale of investment securities	(97)	—
Accelerated depreciation and lease termination expenses	—	562
Income tax effect of adjustments	(435)	(137)
Adjusted net income (non-GAAP)	<u>\$ 25,846</u>	<u>\$ 20,994</u>
Diluted earnings per share - as reported	\$ 3.77	\$ 3.15
Adjustments:		
Loss on write-down of OREO property	0.25	—
Loss on disposal of fixed assets	0.03	—
Net gains on sale of investment securities	(0.01)	—
Accelerated depreciation and lease termination expenses	—	0.08
Income tax effect of adjustments	(0.07)	(0.02)
Diluted earnings per share (non-GAAP)	<u>\$ 3.97</u>	<u>\$ 3.21</u>

CONSOLIDATED BALANCE SHEET REVIEW

Overview

Total assets at December 31, 2025 were \$2.1 billion, representing a \$114.4 million increase since December 31, 2024. During the year, the investment portfolio increased by \$9.5 million as bonds were purchased to lock in yield in anticipation of potential declines in long-term rates. Gross loans increased by \$40.9 million as new production during the year was mitigated by amortization and unusually high payoffs in the commercial portfolio. These payoffs were a result of sales of businesses of approximately \$10.5 million and approximately \$33.5 million related to refinancings and balance sheet restructurings. Other assets, including deferred taxes, premises and equipment, bank owned life insurance, pension assets, accrued trust income receivable, and accrued interest receivable, increased by \$13.6 million.

Total liabilities at December 31, 2025 were \$1.9 billion, representing a \$90.1 million increase since December 31, 2024. Total deposits increased by \$160.3 million when compared to December 31, 2024. Brokered time deposits increased by \$50.0 million as new brokered time deposits were obtained in January 2025 to fund the repayment of the \$50.0 million in overnight borrowings outstanding at December 31, 2024. In addition, savings and money market accounts increased by \$70.2 million, retail time deposits increased by \$7.8 million, and non-interest-bearing deposits increased by \$26.3 million. Interest-bearing demand deposits, primarily our IntraFi Cash Service product, increased by \$6.0 million due primarily to seasonal fluctuations in municipal deposit accounts. Short-term borrowings decreased by \$47.7 million due to the purchase of the brokered time deposit mentioned above, which was partially offset by increases in the overnight investment sweep product.

Long-term borrowings decreased by \$25.0 million due to the repayment of a matured \$25.0 million FHLB borrowing in September 2025.

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As indicated below, the total interest-earning asset mix remained relatively constant at December 31, 2025 when compared to December 31, 2024. The mix for each year is illustrated below.

	Year End Percentage of Total Assets	
	2025	2024
Cash and cash equivalents	6%	4%
Net loans	72%	74%
Investments	13%	14%

The year-end total liability mix has remained stable during the two-year period as illustrated below.

	Year End Percentage of Total Liabilities	
	2025	2024
Total deposits	92%	88%
Total borrowings	6%	10%

Loan Portfolio

The Bank is actively engaged in originating loans to customers primarily in Allegany County, Frederick County, Garrett County, and Washington County in Maryland, and in Berkeley County, Mineral County, and Monongalia County, in West Virginia; and the surrounding regions of Maryland, West Virginia, Virginia and Pennsylvania. We have policies and procedures designed to mitigate credit risk and to maintain the quality of our loan portfolio. These policies include underwriting standards for new credits as well as continuous monitoring and reporting policies for asset quality and the adequacy of the ACL. These policies, coupled with ongoing training efforts, have provided effective checks and balances for the risk associated with the lending process. Lending authority is based on the type of the loan, and the experience of the lending officer.

Commercial loans are collateralized primarily by real estate and, to a lesser extent, equipment and vehicles. Unsecured commercial loans represent an insignificant portion of total commercial loans. Residential mortgage loans are collateralized by the related property. Generally, a residential mortgage loan exceeding a specified internal loan-to-value ratio requires private mortgage insurance. Installment loans are typically collateralized, with loan-to-value ratios which are established based on the financial condition of the borrower. We also have made unsecured consumer loans to qualified borrowers meeting our underwriting standards. Additional information about our loans and underwriting policies can be found in Item 1 of Part I of this annual report under the heading “Banking Products and Services”.

The following table sets forth the composition of our loan portfolio. Historically, our policy has been to make the majority of our loan commitments in our market areas. We had no foreign loans in our portfolio as of December 31 for any of the years presented.

Summary of Loan Portfolio

The following table presents the composition of our loan portfolio as of December 31 for the past two years:

(in millions)	2025	2024
Commercial real estate	\$ 570.8	\$ 526.4
Acquisition and development	90.3	95.3
Commercial and industrial	277.0	287.5
Residential mortgage	536.9	518.8
Consumer	46.7	52.8
Total Loans	<u>\$ 1,521.7</u>	<u>\$ 1,480.8</u>

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Outstanding gross loans of \$1.5 billion at December 31, 2025 reflected growth of \$40.9 million in 2025. Since December 31, 2024, commercial real estate loans increased by \$44.4 million, acquisition and development loans decreased by \$5.0 million as construction projects were completed and rolled into permanent financing, commercial and industrial loans decreased by \$10.5 million, residential mortgage loans increased by \$18.1 million, and consumer loans decreased by \$6.1 million as production continued to be outpaced by amortization. Commercial growth was offset during 2025 by unusually high payoffs as a result of clients utilizing cash to repay or consolidate debt.

New commercial loan production for the year ended December 31, 2025 was approximately \$247.0 million, which compares to \$189.5 million for the year ended December 31, 2024. The commercial pipeline continued to be strong at December 31, 2025 at \$61.0 million, and unfunded, commercial construction loans totaled approximately \$46.5 million. Commercial amortization and payoffs were approximately \$170.5 million for the year ended December 31, 2025.

New residential mortgage loan production for year ended December 31, 2025 was approximately \$76.7 million, with most of this production comprised of in-house loans. The pipeline of in-house, portfolio loans at December 31, 2025 was \$4.5 million. Unfunded commitments related to residential construction loans totaled \$14.5 million at December 31, 2025.

The following table presents loans in our commercial real estate portfolio by industry type at December 31, 2025.

(in thousands)	Non-owner-occupied	Owner-occupied	Multi-family	Total
Accommodations and food services	\$ 68,125	\$ 5,277	\$ -	\$ 73,402
Administration and support, waste management, and remediation services	-	1,421	-	1,421
Agriculture, forestry, fishing and hunting	-	3,133	-	3,133
Arts, entertainment and recreation	-	4,169	-	4,169
Construction	1,971	6,056	-	8,027
Educational services	-	784	-	784
Finance and insurance	8,530	104	-	8,634
Health care and social assistance	11,522	21,694	-	33,216
Manufacturing	-	14,017	-	14,017
Mining, Quarrying, and Oil & Gas Extraction	-	378	-	378
Other services (except public services)	-	19,787	296	20,083
Professional, scientific and technical services	-	1,528	-	1,528
Public administration	1,343	584	-	1,927
Commercial rental properties	184,653	79,963	-	264,616
Residential rental properties	182	112	23,297	23,591
Student rental properties	-	-	2,270	2,270
Mixed use rental properties	2,401	765	19,244	22,410
Storage units	45,305	-	-	45,305
Real estate rental and leasing- other	10,582	5,015	-	15,597
Retail trade	69	2,698	-	2,767
Transportation and warehousing	-	431	-	431
Wholesale trade	-	23,102	-	23,102
Total	\$ 334,683	\$ 191,018	\$ 45,107	\$ 570,808

Our loan portfolio does not consist of any loans secured by office buildings located in major metropolitan areas or that are over four stories or any retail properties rented to major big box retail tenants.

The following table sets forth the maturities, based upon contractual dates, for selected loan categories as of December 31, 2025:

Maturities of Loan Portfolio at December 31, 2025

Fixed Rate Loans

(in thousands)	Maturing Within One Year	Maturing After One Year But Within Five Years	Maturing After Five Years Within Fifteen Years	Maturing After Fifteen Years	Total
Commercial real estate	\$ 78,941	\$ 333,296	\$ 23,585	\$ —	\$ 435,822
Acquisition and development	32,216	19,538	1	—	51,755
Commercial and industrial	30,054	101,585	31,381	—	163,020
Residential mortgage	11,618	26,502	23,958	95,955	158,033
Consumer	2,075	26,943	7,232	1,093	37,343
Total Loans	<u>\$ 154,904</u>	<u>\$ 507,864</u>	<u>\$ 86,157</u>	<u>\$ 97,048</u>	<u>\$ 845,973</u>

Variable Rate Loans

(in thousands)	Maturing Within One Year	Maturing After One Year But Within Five Years	Maturing After Five Years Within Fifteen Years	Maturing After Fifteen Years	Total
Commercial real estate	\$ 18,870	\$ 47,046	\$ 33,131	\$ 35,939	\$ 134,986
Acquisition and development	19,719	6,295	6,651	5,852	38,517
Commercial and industrial	61,335	41,646	10,112	921	114,014
Residential mortgage	2,029	2,852	22,334	351,664	378,879
Consumer	4,017	—	813	4,505	9,335
Total Loans	<u>\$ 105,970</u>	<u>\$ 97,839</u>	<u>\$ 73,041</u>	<u>\$ 398,881</u>	<u>\$ 675,731</u>

Management monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a required payment is past due. A loan is considered to be past due when a scheduled payment has not been received for 30 days past its contractual due date. For all loan segments, the accrual of interest is discontinued when principal or interest is delinquent for 90 days or more unless the loan is well-secured and in the process of collection. Interest payments received on non-accrual loans are applied as a reduction of the loan principal balance. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The following sets forth the amounts of non-accrual, past-due and modified loans for the past two years:

Risk Elements of Loan Portfolio

(in thousands)	At December 31,	
	2025	2024
Non-accrual loans:		
Commercial real estate	\$ 695	\$ 656
Acquisition and development	—	82
Commercial and industrial	1,068	1,838
Residential mortgage	2,394	2,181
Consumer	35	174
Total non-accrual loans	\$ 4,192	\$ 4,931
Accruing Loans Past Due 90 days or more:		
Commercial real estate	\$ —	\$ 317
Residential mortgage	432	573
Consumer	45	28
Total accruing loans past due 90 days or more	\$ 477	\$ 918
Total non-accrual and past due 90 days or more	\$ 4,669	\$ 5,849
Other repossessed assets	2,802	2,802
Other real estate owned	1,083	3,062
Total non-performing assets	\$ 8,554	\$ 11,713
Non-accrual loans to total loans (as %)	0.28%	0.33%
Non-performing loans to total loans (as %)	0.31%	0.39%
Non-performing assets to total assets (as %)	0.41%	0.59%
Allowance for credit losses to non-accrual loans (as %)	464.46%	368.49%
Allowance for credit losses to non-performing assets (as %)	227.61%	155.13%
Modified Loans:		
Performing	\$ 246	\$ 1,006
Total modified loans	\$ 246	\$ 1,006
Individually evaluated loans without a valuation allowance	\$ 3,522	\$ 4,432
Individually evaluated loans with a valuation allowance	16,164	—
Total individually evaluated loans	\$ 19,686	\$ 4,432

Accruing loans past due 30 days or more was 0.32% at both December 31, 2025 and 2024. Non-accrual loans totaled \$4.2 million at December 31, 2025 compared to \$4.9 million at December 31, 2024. The decrease in non-accrual balances at December 31, 2025 was due to principal paydowns and the charge-off of \$0.6 million related to a non-accrual commercial and industrial relationship that was recorded during the second half of 2025.

Individually evaluated loans totaled \$19.6 million at December 31, 2025 and \$4.4 million at December 31, 2024. This increase primarily relates to one credit relationship in our commercial and industrial portfolio that is in the automotive dealership industry. While the credit was not past-due or non-accrual, it was not meeting the contractual terms of the loan agreement; therefore, management felt it was prudent to designate the credit as individually evaluated at December 31, 2025. A \$0.4 million specific reserve within the ACL was calculated against the credit using discounted cash flows at December 31, 2025.

The following table sets forth the percent applicable by portfolio for non-accrual loans for the past two years:

Non-Accrual Loans as a % of Applicable Portfolio

	2025	2024
Commercial real estate	0.1%	0.1%
Acquisition and development	0.0%	0.1%
Commercial and industrial	0.4%	0.6%
Residential mortgage	0.4%	0.4%
Consumer	0.1%	0.3%

We would have recognized \$0.4 million and \$0.8 million in interest income for the years ended December 31, 2025 and 2024, respectively, had our non-accrual loans been current and performing in accordance with their terms. During 2025 and 2024, we recognized, on a cash basis, \$0.1 million and \$0.2 million, respectively, of interest income on non-accrual loans that paid off.

Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows include situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, and combinations of the above. Therefore, the disclosures related to loan restructurings are only for modifications that directly affect cash flows.

A loan that is considered a non-accrual or modified loan may be subject to the individually evaluated loan analysis if the commitment is \$100,000 or greater; otherwise, the modified loan remains in the appropriate segment in the ACL model and associated reserves are adjusted based on changes in the discounted cash flows. For a discussion with respect to reserve calculations regarding individually evaluated loans, refer to the “Individually evaluated loans” section in Note 17, Fair Value of Financial Instruments.

From time to time, we may modify certain loans to borrowers who are experiencing financial difficulty. In some cases, these modifications may result in new loans. Loan modifications to borrowers may be in the form of a principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, a term extension, or a combination thereof, among other things.

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The below table presents the amortized cost basis of loans that were both experiencing financial difficulty and modified during the years ended December 31, 2025 and 2024, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

(in thousands)	Term Extension	Percentage of Total Loan Type	Weighted Average Term and Principal Payment Extension
December 31, 2025			
Commercial and industrial	\$ 246	0.09%	18 months
Total	<u>\$ 246</u>		
December 31, 2024			
Owner-occupied commercial real estate	\$ 884	0.38%	12 months
Commercial and industrial	122	0.04%	60 months
Total	<u>\$ 1,006</u>		

All loans presented in the table above were performing in accordance with their modified terms at December 31, 2025 and 2024.

Allowance for Credit Losses

Effective January 1, 2023, we adopted the accounting guidance in FASB's Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, universally referred to as CECL. In connection with our adoption of ASU 2016-13, we made changes to our loan portfolio segments to align with the methodology of CECL. Refer to Note 5, Loans and Related Allowance for Credit Losses, for further discussion of these portfolio segments.

The ACL represents an amount which, in management's judgment, is adequate to absorb expected credit losses over the life of outstanding loans as of the balance sheet date based on the evaluation of current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience. The ACL is measured and recorded upon the initial recognition of a financial asset. The ACL is reduced by charge-offs, net of recoveries of previous losses, and is increased by a provision or decreased by a recovery for credit losses, which is recorded as a current period operating expense.

Determination of an appropriate ACL is inherently complex and requires the use of highly subjective estimates. The reasonableness of the ACL is reviewed quarterly by management.

Management believes that it uses relevant information available to make determination about the ACL and that it has established the existing allowance in accordance with GAAP. However, the determination of the ACL requires significant judgment, and estimates of expected credit losses in the loan portfolio can vary from the amounts actually observed. While management uses available information to recognize expected credit losses, future additions to the ACL may be necessary based on changes in the loans comprising the portfolio, changes in the current and forecasted economic conditions, changes to the interest rate environment which may directly impact prepayment and curtailment rate assumptions, and changes in the financial condition of borrowers.

The ACL "base case" model is derived from various economic forecasts provided by widely recognized sources. Management evaluates the variability of market conditions by examining the peak and trough of economic cycles. These peaks and troughs are used to stress the base case model to develop a range of potential outcomes. Management then determines the appropriate reserve through an evaluation of these various outcomes relative to current economic conditions

and known risks in the portfolio. Management enhances its calculation with the use of Moody's economic forecast data to provide additional support to substantiate its ACL.

The ACL was \$19.5 million at December 31, 2025 compared to \$18.2 million at December 31, 2024. The provision for credit losses on loans was \$2.3 million for the year ended December 31, 2025 compared to \$2.9 million for the year ended December 31, 2024. The provision expense recorded in 2025 was primarily related to charge-offs recorded in our commercial and industrial portfolio and growth in our loan portfolio. Net charge-offs of \$1.0 million and \$2.2 million were recorded for the years ended December 31, 2025 and 2024, respectively. The ratio of the ACL to loans outstanding was 1.28% at December 31, 2025 and 1.23% at December 31, 2024.

The ratio of net charge offs to average loans was 0.07% for the year ended December 31, 2025 and 0.16% for the year ended December 31, 2024. The commercial and industrial portfolio had net charge offs of 0.33% and 0.50% for the years ended December 31, 2025 and 2024, respectively, due primarily to charge offs on one non-accrual commercial relationship. The acquisition and development portfolio had net recoveries of 0.33% and 0.06% for the years ended December 31, 2025 and 2024, respectively. This shift in the acquisition and development portfolio was due primarily to recoveries recognized in 2025 related to one relationship previously charged off in 2016 as additional collateral was brought into OREO in the third quarter of 2025. The decrease in net charge offs in consumer loans in 2025 was primarily driven by approximately \$0.3 million in charge offs of demand deposit balances during the first quarter of 2024. Details of the ratios, by loan type, are shown below. Our special assets team continues to actively collect on charged-off loans, resulting in overall low net charge-off ratios.

Management believes that the ACL at December 31, 2025 is adequate to provide for losses over the life of the loan portfolio. Amounts that will be recorded for the provision for credit losses in future periods will depend upon trends in the loan balances, including the composition of the loan portfolio, changes in loan quality and loss experience trends, potential recoveries on previously charged-off loans and changes in other qualitative factors. Management also applies interest rate risk, collateral value and debt service sensitivity analyses to the commercial real estate loan portfolio and obtains new appraisals on specific loans under defined parameters to assist in the determination of the periodic provision for credit losses.

The following table presents a summary of the activity in the ACL by major loan category for the past two years.

Analysis of Activity in the Allowance for Credit Losses

(in thousands)	For the Years Ended December 31,	
	2025	2024
Balance, January 1	\$ 18,170	\$ 17,480
Charge-offs:		
Acquisition and development	(9)	—
Commercial and industrial	(1,011)	(1,610)
Residential mortgage	(15)	(45)
Consumer	(715)	(1,369)
Total charge-offs	(1,750)	(3,024)
Recoveries:		
Commercial real estate	—	82
Acquisition and development	316	52
Commercial and industrial	73	212
Residential mortgage	41	75
Consumer	275	364
Total recoveries	705	785
Net credit losses	(1,045)	(2,239)
Provision for credit losses	2,345	2,929
Balance at end of period	\$ 19,470	\$ 18,170
Allowance for credit losses to total loans (as %)	1.28%	1.23%
Net (Charge-offs)/Recoveries as a % of Average Applicable Portfolio		
	2025	2024
Commercial real estate	0.0%	0.0%
Acquisition and development	0.3%	0.1%
Commercial and industrial	(0.3%)	(0.5%)
Residential mortgage	0.0%	0.0%
Consumer	(0.9%)	(1.9%)

The following presents management's allocation of the ACL by major loan category in comparison to that loan category's percentage of total loans. Changes in the allocation over time reflect changes in the composition of the loan portfolio risk profile and refinements to the methodology of determining the ACL. Specific allocations in any particular category may be reallocated in the future as needed to reflect current conditions. Accordingly, the entire ACL is considered available to absorb losses in any category.

Allocation of the Allowance for Credit Losses

(in thousands)	For the Years Ended December 31,			
	Amount of Allowance Allocated	Total Loans	Percent of Loans in Each Category to Total Loans	Ratio of Allowance Allocated to Loans in Each Category
December 31, 2025				
Commercial real estate	\$ 4,644	\$ 570,808	37.5%	0.81%
Acquisition and development	1,278	90,272	5.9%	1.42%
Commercial and industrial	4,473	277,034	18.2%	1.61%
Residential mortgage	8,272	536,912	35.3%	1.54%
Consumer	803	46,678	3.1%	1.72%
Total	<u>\$ 19,470</u>	<u>\$ 1,521,704</u>	<u>100.0%</u>	<u>1.28%</u>
December 31, 2024				
Commercial real estate	\$ 5,272	\$ 526,364	35.5%	1.00%
Acquisition and development	909	95,314	6.5%	0.95%
Commercial and industrial	4,205	287,534	19.4%	1.46%
Residential mortgage	7,010	518,815	35.0%	1.35%
Consumer	774	52,766	3.6%	1.47%
Total	<u>\$ 18,170</u>	<u>\$ 1,480,793</u>	<u>100.0%</u>	<u>1.23%</u>

Investment Securities

The following table sets forth the composition of our investment securities portfolio by major category as of the indicated dates:

(in thousands)	At December 31,					
	2025			2024		
	Amortized Cost	Fair Value (FV)	FV As % of Total	Amortized Cost	Fair Value (FV)	FV As % of Total
Securities Available-for-Sale:						
U.S. government agencies	\$ 2,000	\$ 1,404	1%	\$ 7,000	\$ 6,115	6%
Residential mortgage-backed agencies	25,891	22,855	21%	24,621	20,196	21%
Commercial mortgage-backed agencies	37,805	30,068	28%	37,205	28,634	30%
Collateralized mortgage obligations	29,795	27,390	26%	21,069	17,726	19%
Obligations of states and political subdivisions	8,557	8,525	8%	6,533	6,209	7%
Corporate bonds	1,000	907	1%	1,000	896	1%
Collateralized debt obligations	18,802	15,995	15%	18,686	14,718	16%
Total available for sale	\$ 123,850	\$ 107,144	100%	\$ 116,114	\$ 94,494	100%
Securities Held to Maturity:						
U.S. government agencies	\$ 68,595	\$ 60,874	41%	\$ 68,301	\$ 57,109	39%
Residential mortgage-backed agencies	32,084	29,748	20%	32,171	28,611	20%
Commercial mortgage-backed agencies	20,947	15,767	10%	21,134	15,340	11%
Collateralized mortgage obligations	45,447	38,391	26%	49,439	39,715	27%
Obligations of states and political subdivisions	4,390	4,109	3%	4,511	3,985	3%
Total held to maturity	\$ 171,463	\$ 148,889	100%	\$ 175,556	\$ 144,760	100%

The total fair value of AFS securities was \$107.1 million and the book value of HTM securities totaled \$171.5 million at December 31, 2025, representing an increase of \$12.7 million and a decrease of \$4.1 million, respectively, since December 31, 2024. New investment purchases in the amount of \$24.6 million were made during 2025 to enhance the overall yield of the portfolio. Management intends to hold the portfolio relatively stable in 2026 by reinvesting cashflows back into the portfolio to enhance the overall yield of the portfolio. The investment portfolio is primarily utilized for liquidity purposes, management of interest sensitivity and collateralization needs.

As discussed in Note 17 to the Consolidated Financial Statements presented elsewhere in this report, we measure fair market values based on the fair value hierarchy established in FASB's Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 3 prices or valuation techniques require inputs that are both significant to the valuation assumptions and are not readily observable in the market (i.e., supported with little or no market activity). These Level 3 instruments are valued based on both observable and unobservable inputs derived from the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

Approximately \$91.1 million of the AFS portfolio was valued using Level 2 pricing and had net unrealized losses of \$13.9 million at December 31, 2025. The remaining \$16.0 million of the AFS securities represents the collateralized debt obligation ("CDO") portfolio, which was valued using significant unobservable inputs, or Level 3 pricing. The \$2.8

million in net unrealized losses associated with the CDO portfolio relates to nine pooled trust preferred securities. There have been no changes to the ratings or payment status of the CDO portfolio in 2025.

The following table sets forth the contractual or estimated maturities of the components of our investment securities portfolio as of December 31, 2025 and the weighted average yields on a tax-equivalent basis.

Investment Security Maturities, Yields, and Fair Values at December 31, 2025

(in thousands)	1 Year To 5 Years	5 Years To 10 Years	Over 10 Years	Total Fair Value
Securities Available-for-Sale:				
U.S. government agencies	\$ —	\$ —	\$ 1,404	\$ 1,404
Residential mortgage-backed agencies	—	—	22,855	22,855
Commercial mortgage-backed agencies	—	—	30,068	30,068
Collateralized mortgage obligations	—	—	27,390	27,390
Obligations of states and political subdivisions	250	4,418	3,857	8,525
Corporate bonds	—	907	—	907
Collateralized debt obligations	—	9,426	6,569	15,995
Total available for sale	<u>\$ 250</u>	<u>\$ 14,751</u>	<u>\$ 92,143</u>	<u>\$ 107,144</u>
Percentage of total	0.23%	13.77%	86.00%	100.00%
Weighted average yield	3.62%	13.74%	3.22%	4.67%
Held to Maturity:				
U.S. government agencies	\$ 16,640	\$ 38,402	\$ 5,832	\$ 60,874
Residential mortgage-backed agencies	—	1,220	28,528	29,748
Commercial mortgage-backed agencies	—	7,360	8,407	15,767
Collateralized mortgage obligations	—	—	38,391	38,391
Obligations of states and political subdivisions	—	1,745	2,364	4,109
Total held to maturity	<u>\$ 16,640</u>	<u>\$ 48,727</u>	<u>\$ 83,522</u>	<u>\$ 148,889</u>
Percentage of total	11.17%	32.73%	56.10%	100.00%
Weighted average yield	2.53%	2.60%	2.94%	2.78%

The weighted average yield was calculated using historical cost balances and does not give effect to changes in fair value.

Deposits

The following table sets forth the deposit balances by major category for December 31, 2025 and 2024:

Deposit Balances

(in thousands)	2025		2024	
	Actual Balance	Percent	Actual Balance	Percent
Non-interest-bearing demand deposits	\$ 453,036	26%	\$ 426,737	27%
Interest-bearing deposits:				
Demand	392,823	23%	386,803	25%
Money market- retail	529,870	30%	447,149	28%
Money market- brokered	1	0%	1	0%
Savings deposits	158,461	9%	170,972	11%
Time deposits - retail	150,958	9%	143,167	9%
Time deposits - brokered	50,000	3%	—	—
Total Deposits	<u>\$ 1,735,149</u>	<u>100%</u>	<u>\$ 1,574,829</u>	<u>100%</u>

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Total deposits at December 31, 2025 increased by \$160.3 million when compared to December 31, 2024. In January 2025, \$50.0 million in brokered time deposits with an average interest rate of 4.24% were obtained to fund the repayment of \$50.0 million in overnight borrowings that were outstanding on December 31, 2024. Savings and money market accounts increased by \$70.2 million due primarily to the expansion of current and new relationships throughout 2025. Non-interest-bearing checking deposits increased by \$26.3 million due primarily to seasonal fluctuations of deposit balances of two commercial customers in the healthcare sector, and interest-bearing checking deposits increased by \$6.0 million as we experienced seasonal fluctuations in municipal and commercial account balances. Retail time deposits increased by \$7.8 million since December 31, 2024. We repaid a \$25.0 million brokered time deposit at its maturity in January 2026.

The following table summarizes the percentage of deposits that are insured by deposit insurance or otherwise fully collateralized by securities compared to uninsured deposits as of December 31, 2025 and December 31, 2024.

(in thousands)	2025		2024	
	Balance	Percent	Balance	Percent
Insured deposits	\$ 1,341,185	77%	\$ 1,255,893	80%
Uninsured but collateralized deposits	101,925	6%	77,369	5%
Uninsured and uncollateralized deposits	292,039	17%	241,567	15%
	<u>\$ 1,735,149</u>	<u>100%</u>	<u>\$ 1,574,829</u>	<u>100%</u>

The following table summarizes the percentage of deposit balances from retail customers compared to business customers as of December 31, 2025 and December 31, 2024.

(in thousands)	2025		2024	
	Balance	Percent	Balance	Percent
Retail deposits	\$ 807,443	47%	\$ 798,664	51%
Business deposits	927,706	53%	776,165	49%
	<u>\$ 1,735,149</u>	<u>100%</u>	<u>\$ 1,574,829</u>	<u>100%</u>

Borrowed Funds

The following shows the composition of our borrowings at December 31:

(in thousands)	2025	2024
Overnight borrowings at Federal Reserve Discount Window	\$ —	\$ 50,000
Securities sold under agreements to repurchase	17,661	15,409
Total short-term borrowings	<u>\$ 17,661</u>	<u>\$ 65,409</u>
Long-term FHLB advances	\$ 65,000	\$ 90,000
Junior subordinated debentures	30,929	30,929
Total long-term borrowings	<u>\$ 95,929</u>	<u>\$ 120,929</u>
Total borrowings	<u>\$ 113,590</u>	<u>\$ 186,338</u>
Average balance (from Table 1)	\$ 134,616	\$ 150,657

The following is a summary of short-term borrowings at December 31 with original maturities of less than one year:

(in thousands)	2025	2024
Overnight borrowings, weighted average interest rate of 4.50% at December 31, 2024	\$ —	\$ 50,000
Securities sold under agreements to repurchase:		
Outstanding at end of year	\$ 17,661	\$ 15,409
Weighted average interest rate at year end	0.22%	0.24%
Maximum amount outstanding as of any month end	\$ 26,756	\$ 44,415
Average amount outstanding	19,565	29,085
Approximate weighted average rate during the year	0.22%	0.26%

Short-term borrowings decreased by \$47.7 million as a result of the purchase of \$50.0 million brokered time deposits to repay the overnight borrowings, which was partially offset by increases in the overnight investment sweep product. Long-term borrowings decreased by \$25.0 million due to the repayment of a matured \$25.0 million FHLB borrowing in September 2025.

Management will continue to closely monitor interest rates within the context of its overall asset-liability management process. See the discussion under the heading “Interest Rate Sensitivity” in this Item 7 for further information on this topic.

See “Liquidity Sources” above for discussion on additional borrowing capacity available to us at December 31, 2025. See Note 9 to the Consolidated Financial Statements presented elsewhere in this annual report for further details about our borrowings and additional borrowing capacity, which is incorporated herein by reference.

Off-Balance Sheet Arrangements

In the normal course of business, to meet the financing needs of its customers, the Bank is a party to financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit, lines of credit, and standby letters of credit. Our exposure to credit loss in the event of nonperformance by the other party to these financial instruments is represented by the contractual amount of the instruments. The credit risks inherent in loan commitments and letters of credit are essentially the same as those involved in extending loans to customers, and these arrangements are subject to our normal credit policies. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments. We generally require collateral or other security to support the financial instruments with credit risk. The amount of collateral or other security is determined based on management’s credit evaluation of the counterparty. We evaluate each customer’s creditworthiness on a case-by-case basis.

Loan commitments and letters of credit totaled \$270.0 million and \$16.4 million, respectively, at December 31, 2025. Management does not believe that any of the foregoing arrangements have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. We are not a party to any other off-balance sheet arrangements. See Note 16 to the Consolidated Financial Statements presented elsewhere in this annual report for additional information on these arrangements.

Capital Resources

We require capital to fund loans, satisfy our obligations under the Bank’s letters of credit, meet the deposit withdraw demands of the Bank’s customers, and satisfy our other monetary obligations. To the extent that deposits are not adequate to fund our capital requirements, we can rely on the funding sources identified below under the heading “Liquidity Management”. Management is not aware of any demands, commitments, events or uncertainties that are likely to materially affect our ability to meet our future capital requirements.

In addition to operational requirements, the Bank is subject to risk-based capital regulations, which were adopted and are monitored by federal banking regulators. These regulations are used to evaluate capital adequacy and require an analysis of an institution's asset risk profile and off-balance sheet exposures, such as unused loan commitments and stand-by letters of credit. Detailed information about these capital regulations and their requirements is set forth in the "Supervision and Regulation" section of Item 1 of Part I of this annual report under the heading "Capital Requirements".

At December 31, 2025, the Bank's total risk-based capital ratio was 15.19%, which was well above the regulatory minimum of 8%. The total risk-based capital ratios of the Bank at December 31, 2024 was 14.59%.

At December 31, 2025, the most recent notification from the regulators categorizes the Bank as "well capitalized" under the regulatory framework for prompt corrective action. See Note 3 to the Consolidated Financial Statements presented elsewhere in this annual report for additional information regarding regulatory capital ratios.

Liquidity Management

Liquidity is a financial institution's capability to meet customer demands for deposit withdrawals while funding all credit-worthy loans. The factors that determine the institution's liquidity are:

- Reliability and stability of core deposits;
- Cash flow structure and pledging status of investments; and
- Potential for unexpected loan demand.

We actively manage our liquidity position through meetings of a sub-committee of executive management, which looks forward 12 months at 30-day intervals. The measurement is based upon the projection of funds sold or purchased position, along with ratios and trends developed to measure dependence on purchased funds and core growth. Monthly reviews by management and quarterly reviews by the Asset and Liability Committee under prescribed policies and procedures are designed to ensure that we will maintain adequate levels of available funds.

It is our policy to manage our affairs so that liquidity needs are fully satisfied through normal Bank operations. That is, the Bank will manage its liquidity to minimize the need to make unplanned sales of assets or to borrow funds under emergency conditions. The Bank will use funding sources where the interest cost is relatively insensitive to market changes in the short run (periods of one year or less) to satisfy operating cash needs. The remaining normal funding will come from interest-sensitive liabilities, either deposits or borrowed funds. When the marginal cost of needed wholesale funding is lower than the cost of raising this funding in the retail markets, the Corporation may supplement retail funding with external funding sources such as:

- Unsecured Fed Funds lines of credit with upstream correspondent banks (M&T Bank, Atlantic Community Bankers Bank, Community Bankers Bank, PNC Financial Services, Pacific Coast Banker's Bank and Zions Bancorp).
- Secured advances with the FHLB of Atlanta, which are collateralized by eligible one-to-four family residential mortgage loans, home equity lines of credit, commercial real estate loans. Cash and various securities may also be pledged as collateral.
- Secured line of credit with the Federal Reserve Discount Window for use in borrowing funds up to 90 days, using eligible investment securities as collateral.
- Brokered deposits, including CDs and money market funds, provide a method to generate deposits quickly. These deposits are strictly rate driven but often provide the most cost-effective means of funding growth.
- One Way Buy CDARS/ICS funding – a form of brokered deposits that has become a viable supplement to brokered deposits obtained directly.

The following table presents sources of liquidity available to the Corporation as of December 31, 2025.

(in thousands)	Total Availability	Amount Used	Net Availability
Internal Sources			
Excess cash	\$ 116,512	\$ -	\$ 116,512
Unpledged securities	25,356	-	25,356
External Sources			
Federal Reserve (discount window)	83,897	-	83,897
Correspondent unsecured lines of credit	140,000	-	140,000
FHLB	335,473	73,921	261,552
	<u>\$ 701,238</u>	<u>\$ 73,921</u>	<u>\$ 627,317</u>

We have adequate liquidity available to respond to current and anticipated liquidity demands and are not aware of any trends or demands, commitments, events or uncertainties that are likely to materially affect our ability to maintain liquidity at satisfactory levels.

Market Risk and Interest Sensitivity

Our primary market risk is interest rate fluctuation. Interest rate risk results primarily from the traditional banking activities that we engage in, such as gathering deposits and extending loans. Many factors, including economic and financial conditions, movements in interest rates and consumer preferences affect the difference between the interest earned on our assets and the interest paid on our liabilities. Interest rate sensitivity refers to the degree that earnings will be impacted by changes in the prevailing level of interest rates. Interest rate risk arises from mismatches in the repricing or maturity characteristics between interest-bearing assets and liabilities. Management seeks to minimize fluctuating net interest margins, and to enhance consistent growth of net interest income through periods of changing interest rates. Management uses interest sensitivity gap analysis and simulation models to measure and manage these risks. The interest rate sensitivity gap analysis assigns each interest-earning asset and interest-bearing liability to a time frame reflecting its next repricing or maturity date. The differences between total interest-sensitive assets and liabilities at each time interval represent the interest sensitivity gap for that interval. A positive gap generally indicates that rising interest rates during a given interval will increase net interest income, as more assets than liabilities will reprice. A negative gap position would benefit us during a period of declining interest rates.

At December 31, 2025, we were asset sensitive.

Our interest rate risk management goals are:

- Ensure that the Board of Directors and senior management will provide effective oversight and ensure that risks are adequately identified, measured, monitored and controlled;
- Enable dynamic measurement and management of interest rate risk;
- Select strategies that optimize our ability to meet our long-range financial goals while maintaining interest rate risk within policy limits established by the Board of Directors;
- Use both income and market value oriented techniques to select strategies that optimize the relationship between risk and return; and
- Establish interest rate risk exposure limits for fluctuation in net interest income (“NII”), net income and economic value of equity.

In order to manage interest sensitivity risk, management formulates guidelines regarding asset generation and pricing, funding sources and pricing, and off-balance sheet commitments. These guidelines are based on management’s outlook regarding future interest rate movements, the state of the regional and national economy, and other financial and business risk factors. Management uses computer simulations to measure the effect on net interest income of various

interest rate scenarios. Key assumptions used in the computer simulations include cash flows and maturities of interest rate sensitive assets and liabilities, changes in asset volumes and pricing, and management's capital plans. This modeling reflects interest rate changes and the related impact on net interest income over specified periods.

We evaluate the effect of a change in interest rates of -400 basis points to +400 basis points on both NII and Net Portfolio Value ("NPV") / Economic Value of Equity ("EVE"). We concentrate on NII rather than net income as long as NII remains the significant contributor to net income.

NII modeling allows management to view how changes in interest rates will affect the spread between the yield earned on assets and the cost of deposits and borrowed funds. Unlike traditional Gap modeling, NII modeling takes into account the different degree to which installments in the same repricing period will adjust to a change in interest rates. It also allows the use of different assumptions in a falling versus a rising rate environment. The period considered by the NII modeling is the next eight quarters.

NPV / EVE modeling focuses on the change in the market value of equity. NPV / EVE is defined as the market value of assets less the market value of liabilities plus/minus the market value of any off-balance sheet positions. By effectively looking at the present value of all future cash flows on or off the balance sheet, NPV / EVE modeling takes a longer-term view of interest rate risk. This complements the shorter-term view of the NII modeling.

Measures of NII at risk produced by simulation analysis are indicators of an institution's short-term performance in alternative rate environments. These measures are typically based upon a relatively brief period, usually one year. They do not necessarily indicate the long-term prospects or economic value of the institution.

Based on the simulation analysis performed at December 31, 2025 and 2024, management estimated the following changes in net interest income, assuming the indicated rate changes:

(in thousands)	2025	2024
+400 basis points	\$ 5,866	\$ 5,722
+300 basis points	\$ 5,578	\$ 5,300
+200 basis points	\$ 4,511	\$ 4,253
+100 basis points	\$ 2,557	\$ 2,391
-100 basis points	\$ (3,192)	\$ (2,851)
-200 basis points	\$ (6,365)	\$ (5,424)
-300 basis points	\$ (9,569)	\$ (8,080)
-400 basis points	\$ (13,657)	\$ (11,151)

This estimate is based on assumptions that may be affected by unforeseeable changes in the general interest rate environment and any number of unforeseeable factors. Rates on different assets and liabilities within a single maturity category adjust to changes in interest rates to varying degrees and over varying periods of time. The relationships between lending rates and rates paid on purchased funds are not constant over time. Management can respond to current or anticipated market conditions by lengthening or shortening the Bank's sensitivity through loan repricings or changing its funding mix. The rate of growth in interest-free sources of funds will influence the level of interest-sensitive funding sources. In addition, the absolute level of interest rates will affect the volume of earning assets and funding sources. As a result of these limitations, the interest-sensitive gap is only one factor to be considered in estimating the net interest margin.

Impact of Inflation – Our assets and liabilities are primarily monetary in nature, and as such, future changes in prices do not affect the obligations to pay or receive fixed and determinable amounts of money. During inflationary periods, monetary assets lose value in terms of purchasing power and monetary liabilities have corresponding purchasing power gains. The concept of purchasing power is not an adequate indicator of the impact of inflation on financial institutions because it does not incorporate changes in our earnings.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, the Corporation is not required to provide the information contemplated by this item. See Item 7 of Part II of this report under the heading “Market Risk and Interest Sensitivity” for a discussion of the Corporation’s primary market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors of First United Corporation
Oakland, Maryland

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of First United Corporation (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses on Loans – Reasonable and Supportable Forecasts and Assumptions

The allowance for credit losses (the "ACL") is an accounting estimate of the expected credit losses in the loans held for investment portfolio over the life of an exposure (or pool of exposures). Expected credit losses are measured on a collective (pooled) basis for financial assets with similar risk characteristics. The ACL is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans as described in Notes 1 and 5 of the consolidated financial statements. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.

The Company's methodology for estimating the allowance for credit losses on loans includes quantitative and qualitative components of the calculation. The quantitative analysis includes using a discounted cash flow (DCF) model for determining the allowance for credit losses. Management leverages economic projections from a third-party source for its forecasts over the forecast period. Economic forecast models include but are not limited to unemployment, the Consumer Price Index, the Housing Affordability Index, and Gross State Product ("loss drivers"). These forecasts are assumed to revert to the long-term average and are utilized in the model to estimate the probability of default and the loss given default, which vary over time. Forecast and reversion periods as well as the application and monitoring of economic forecast models are considered assumptions applied by management. Based on management's review and

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analysis of internal, external, and model risks, management may adjust the quantitative model output with qualitative adjustments. Management developed a qualitative framework in which maximum loss rates are established considering economic forecasts that serve as the basis for determining the reasonableness of the quantitative model's output and necessary adjustments.

We determined that auditing the forecasts and assumptions, including the application and monitoring of quantitative forecast models using the loss drivers, was a critical audit matter as it involved significant judgment by management, which led especially a high degree of auditor judgment and subjectivity and increased audit effort, including the involvement of specialists to obtain audit evidence related to the forecasts.

The primary procedures performed to address this critical audit matter included the following:

- Tested the effectiveness of the Company's controls that addressed the following:
 - Application and monitoring of the forecast models that are used to determine the quantitative component and used in determining the basis for qualitative adjustments.
 - Relevance and reliability of reasonable and supportable forecast data and the reasonableness of significant model assumptions input into the model.
- Use of specialists to test application of the forecast models that are used to determine the quantitative component and used in determining the basis for qualitative adjustments.
- Evaluated the reasonableness of reasonable and supportable economic forecasts and the significant model assumptions, including the relevance and reliability of data used in the model.

/s/ Crowe LLP

We have served as the Company's auditor since 2021.

Franklin, Tennessee
March 10, 2026

First United Corporation and Subsidiaries
Consolidated Statements of Financial Condition
(In thousands, except per share amounts)

	December 31,	
	2025	2024
Assets		
Cash and due from banks	\$ 129,830	\$ 77,020
Interest bearing deposits in banks	1,782	1,307
Cash and cash equivalents	131,612	78,327
Investment securities – available-for-sale (at fair value)	107,144	94,494
Investment securities – held to maturity, net of allowance for credit losses of \$102 and \$59, respectively (fair value of \$148,889 at December 31, 2025 and \$144,760 at December 31, 2024)	171,361	175,497
Equity investments not held for trading with readily determinable fair values	1,029	—
Restricted investment in bank stock, at cost	4,630	5,768
Loans held for sale (at lower of cost or fair value)	130	806
Loans	1,521,704	1,480,793
Unearned fees	(476)	(442)
Allowance for credit losses	(19,470)	(18,170)
Net loans	1,501,758	1,462,181
Premises and equipment, net	29,665	30,081
Goodwill and other intangibles	11,444	11,773
Bank owned life insurance	50,360	48,952
Deferred tax assets	8,730	9,989
Other real estate owned	1,083	3,062
Other repossessed assets	2,802	2,802
Right of use assets	1,015	1,204
Pension asset	20,798	17,824
Accrued interest receivable	7,904	7,473
Trust receivable	9,824	—
Other assets	26,164	22,789
Total Assets	\$ 2,087,453	\$ 1,973,022
Liabilities and Shareholders' Equity		
Liabilities:		
Non-interest bearing deposits	\$ 453,036	\$ 426,737
Interest bearing deposits	1,282,113	1,148,092
Total deposits	1,735,149	1,574,829
Short-term borrowings	17,661	65,409
Long-term borrowings	95,929	120,929
Operating lease liability	1,180	1,384
SERP deferred compensation	9,008	8,335
Allowance for credit losses on unfunded commitments	1,218	863
Accrued interest payable	953	489
Other liabilities	21,031	20,065
Dividends payable	1,690	1,424
Total Liabilities	1,883,819	1,793,727
Shareholders' Equity:		
Common Stock – par value \$0.01 per share;		
Authorized 25,000,000 shares; issued and outstanding 6,499,476 shares at December 31, 2025 and 6,471,096 shares at December 31, 2024	65	65
Surplus	21,551	20,476
Retained earnings	207,284	189,002
Accumulated other comprehensive loss	(25,266)	(30,248)
Total Shareholders' Equity	203,634	179,295
Total Liabilities and Shareholders' Equity	\$ 2,087,453	\$ 1,973,022

See notes to consolidated financial statement

First United Corporation and Subsidiaries
Consolidated Statements of Income
(In thousands, except per share data)

	Year Ended December 31,	
	2025	2024
Interest income		
Interest and fees on loans	\$ 90,328	\$ 81,756
Interest on investment securities		
Taxable	7,210	6,760
Exempt from federal income tax	218	209
Total investment income	7,428	6,969
Other	3,092	3,268
Total interest income	100,848	91,993
Interest expense		
Interest on deposits	27,524	25,828
Interest on short-term borrowings	75	1,477
Interest on long-term borrowings	5,136	4,710
Total interest expense	32,735	32,015
Net interest income	68,113	59,978
Credit loss expense		
Credit loss expense - loans	2,345	2,929
Credit loss expense- debt securities held to maturity	43	14
Credit loss expense/(credit)- unfunded commitments	355	(10)
Total credit loss expense	2,743	2,933
Net interest income after provision for credit losses	65,370	57,045
Other operating income		
Net gains on investments, available for sale	97	—
Net gains on sales of residential mortgage loans	533	414
Net losses on disposal of fixed assets	(228)	—
Net gains	402	414
Service charges on deposit accounts	2,255	2,220
Other service charges	845	887
Trust department	9,824	9,094
Debit card income	4,057	4,065
Bank owned life insurance	1,408	1,345
Brokerage commissions	1,445	1,449
Other	332	351
Total other income	20,166	19,411
Total other operating income	20,568	19,825
Other operating expenses		
Salaries and employee benefits	29,347	28,029
FDIC premiums	1,051	1,070
Equipment	2,217	2,675
Occupancy	2,860	2,878
Data processing	6,243	5,761
Marketing	904	674
Professional services	2,449	1,948
Contract labor	634	597
Line rentals	380	408
Total OREO expense, net	2,235	271
Investor relations	306	293
Contributions	344	234
Other	4,435	4,802
Total other operating expenses	53,405	49,640
Income before income tax expense	\$ 32,533	\$ 27,230
Provision for income tax expense	8,018	6,661
Net Income	\$ 24,515	\$ 20,569
Basic net income per share	\$ 3.78	\$ 3.15
Diluted net income per share	\$ 3.77	\$ 3.15
Weighted average number of basic shares outstanding	6,490	6,527
Weighted average number of diluted shares outstanding	6,504	6,540

See notes to consolidated financial statements

First United Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(In thousands)

Comprehensive Income	Year Ended December 31,	
	2025	2024
Net Income	\$ 24,515	\$ 20,569
Other comprehensive income, net of tax and reclassification adjustments		
Available for sale securities:		
Unrealized holding gains/(losses) on investments with credit related impairment	767	(221)
Reclassification adjustment for accretable yield realized in income	202	202
Other comprehensive income/(loss) on investments with credit related impairment	565	(423)
Unrealized holding gains/(losses) on all other AFS investments	4,462	(510)
Less: gains recognized in income	97	—
Other comprehensive income/(loss) on all other AFS investments	4,365	(510)
Held to maturity securities:		
Unrealized holding losses on HTM investments	—	—
Reclassification adjustment for amortization realized in income	(659)	(688)
Other comprehensive income on HTM investments	659	688
Cash flow hedges:		
Unrealized holding losses on cash flow hedges	(378)	(301)
Other comprehensive loss on cash flow hedges	(378)	(301)
Pension plan assets:		
Unrealized holding gains on pension plan assets	1,481	5,375
Reclassification adjustment for amortization of unrecognized loss realized in income	(529)	(811)
Other comprehensive income on pension plan liability	2,010	6,186
SERP liability:		
Unrealized holding (losses)/gains on SERP liability	(414)	1,773
Reclassification adjustment for amortization of unrecognized loss realized in income	—	(157)
Other comprehensive (loss)/gain on SERP liability	(414)	1,930
Other comprehensive income before income tax	6,807	7,570
Income tax expense related to other comprehensive income	(1,825)	(1,991)
Other comprehensive income, net of tax	4,982	5,579
Comprehensive Income	<u>\$ 29,497</u>	<u>\$ 26,148</u>

See notes to consolidated financial statements

First United Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(In thousands, except number of shares)

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss, net of tax	Total Shareholders' Equity
Balance at January 1, 2024	\$ 66	23,734	173,900	(35,827)	161,873
Net income			20,569		20,569
Other comprehensive income, net of tax				5,579	5,579
Common stock issued - 33,008 shares		290			290
Common stock dividend declared - \$0.84 per share			(5,467)		(5,467)
Stock based compensation		483			483
Stock repurchase - 201,800 shares	(1)	(4,031)			(4,032)
Balance at December 31, 2024	<u>65</u>	<u>20,476</u>	<u>189,002</u>	<u>(30,248)</u>	<u>179,295</u>
Net income			24,515		24,515
Other comprehensive income, net of tax				4,982	4,982
Common stock issued- 28,380 shares		315			315
Common stock dividend declared - \$0.96 per share			(6,233)		(6,233)
Stock based compensation		760			760
Balance at December 31, 2025	<u>\$ 65</u>	<u>\$ 21,551</u>	<u>\$ 207,284</u>	<u>\$ (25,266)</u>	<u>\$ 203,634</u>

See notes to consolidated financial statements

First United Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,	
	2025	2024
Operating activities		
Net income	\$ 24,515	\$ 20,569
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	2,743	2,933
Depreciation	2,543	3,301
Stock based compensation	760	483
Amortization of intangible assets	329	330
Gains on sales of other real estate owned, net	(77)	(161)
Write-downs of other real estate owned	1,676	—
Origination of loans held for sale	(5,084)	(10,641)
Proceeds from sales of loans held for sale	6,292	10,692
Gains on sales of loans held for sale	(533)	(414)
Losses on disposal of fixed assets, net	228	—
Net accretion of investment securities discounts and premiums- AFS	(193)	(96)
Net accretion of investment securities discounts and premiums- HTM	(576)	(597)
Net gains on sales of investment securities – available-for-sale	(97)	—
Amortization of deferred loan fees	(170)	(175)
Deferred tax benefit	(576)	(825)
Earnings on bank owned life insurance	(1,408)	(1,345)
Amortization of operating lease right of use assets	189	163
Amortization of operating lease liabilities	(204)	(172)
(Increase)/decrease in accrued interest receivable and other assets	(12,866)	2,553
Increase/(decrease) in accrued interest payable and other liabilities	1,883	(4,317)
Net cash provided by operating activities	19,374	22,281
Investing activities		
Proceeds from maturities/calls of investment securities available-for-sale	5,842	8,581
Proceeds from maturities/calls of investment securities held-to-maturity	7,021	43,929
Proceeds from sales of investment securities available-for-sale	8,965	—
Purchases of investment securities available-for-sale	(22,255)	(6,678)
Purchases of investment securities held-to-maturity	(2,352)	(4,546)
Purchases of equity securities with readily determinable fair market values	(1,029)	—
Proceeds from sales of other real estate owned	612	1,826
Net decrease/(increase) in FHLB stock	1,138	(518)
Net increase in loans	(41,982)	(79,106)
Purchases of premises and equipment	(3,969)	(1,923)
Net cash used in investing activities	(48,009)	(38,435)
Financing activities		
Net increase in deposits	160,320	23,852
Proceeds from issuance of common stock	315	290
Cash dividends paid on common stock	(5,967)	(5,373)
Net (decrease)/increase in short-term borrowings	(47,748)	19,991
Stock repurchase	—	(4,032)
Proceeds from long-term borrowings	—	90,000
Payments on long-term borrowings	(25,000)	(80,000)
Net cash provided by financing activities	81,920	44,728
Increase in cash and cash equivalents	53,285	28,574
Cash and cash equivalents at beginning of the year	78,327	49,753
Cash and cash equivalents at end of period	\$ 131,612	\$ 78,327
Supplemental information		
Interest paid	\$ 34,177	\$ 32,138
Taxes paid	\$ 8,483	\$ 5,383
Non-cash investing activities:		
Transfers from loans to other repossessed assets	\$ —	\$ 2,747
Transfers from loans to other real estate owned	\$ 230	\$ 271
Transfers from bank premises and equipment to other assets	\$ 1,614	\$ —

See notes to consolidated financial statements

First United Corporation and Subsidiaries
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Business

First United Corporation is a Maryland corporation chartered in 1985 and a bank holding company registered with the Board of Governors of the Federal Reserve System (the “FRB”) under the Bank Holding Company Act of 1956, as amended, that elected financial holding company status in 2021. The Corporation’s primary business is serving as the parent company of First United Bank & Trust, a Maryland trust company (the “Bank”), First United Statutory Trust I (“Trust I”) and First United Statutory Trust II (“Trust II” and together with Trust I, the “Trusts”), both Connecticut statutory business trusts. The Trusts were formed for the purpose of selling trust preferred securities that qualified as Tier 1 capital. The Bank has two consumer finance company subsidiaries - OakFirst Loan Center, Inc., a West Virginia corporation, and OakFirst Loan Center, LLC, a Maryland limited liability company (together with OakFirst Loan Center, Inc., (the “OakFirst Loan Centers”) - and one subsidiary that it uses to hold real estate acquired through foreclosure or by deed in lieu of foreclosure - First OREO Trust, a Maryland statutory trust. In addition, the Bank owns 99.9% of the limited partnership interests in Liberty Mews Limited Partnership, a Maryland limited partnership formed for the purpose of acquiring, developing and operating low-income housing units in Garrett County, Maryland (“Liberty Mews”), and a 99.9% non-voting membership interest in MCC FUTB Fund, LLC, an Ohio limited liability company formed for the purpose of acquiring, developing and operating low-income housing units in Allegany County, Maryland and Mineral County, West Virginia (the “MCC Fund”).

First United Corporation and its subsidiaries operate principally in four counties in Western Maryland and three counties in West Virginia.

As used in these Notes, the terms “the Corporation”, “we”, “us”, and “our” mean First United Corporation and, unless the context clearly suggests otherwise, its consolidated subsidiaries.

Basis of Presentation

The financial information is presented, in all material respects, in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and with general practices for financial institutions. All significant intercompany transactions and accounts have been eliminated. Certain reclassifications have been made to prior year amounts to conform with current year classifications. In the opinion of management, all adjustments (all of which are normal recurring in nature) that are necessary for a fair statement are reflected in the consolidated financial statements.

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of financial statements. In addition, these estimates and assumptions affect revenues and expenses in the financial statements and as such, actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements of the Corporation include the accounts of First United Corporation, the Bank, the OakFirst Loan Centers and First OREO Trust. All significant inter-company accounts and transactions have been eliminated.

Significant Concentrations of Credit Risk

Most of the Corporation’s relationships are with customers located in Western Maryland and Northeastern West Virginia. At December 31, 2025, approximately 6%, or \$95.3 million, of total loans were secured by real estate

acquisition, construction and development projects, with \$95.2 million performing according to their contractual terms and \$0.1 million considered to be individually evaluated loans based on management's concerns about the borrowers' ability to comply with present repayment terms. The \$0.1 million in individually evaluated loans were all classified as non-accrual as of December 31, 2025. Additionally, loans collateralized by commercial rental properties represented 21% of the total loan portfolio as of December 31, 2025. Note 5, Loans and Related Allowance for Credit Loss, discusses the Corporation's lending activities.

At December 31, 2025, approximately 15%, or \$16.0 million, of our available-for-sale ("AFS") investment portfolio was collateralized debt obligations, with the entire portfolio performing according to their contractual terms. Note 4, Investment Securities, discusses the types of securities in which the Corporation invests.

Investments

The investment portfolio is classified and accounted for based on the guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 320, *Investments – Debt and Equity Securities*. Securities bought and held principally for the purpose of selling them in the near term are classified as trading account securities and reported at fair value with unrealized gains and losses included in net gains/losses in other operating income. Securities purchased with the intent and ability to hold the securities to maturity are classified as held-to-maturity ("HTM") securities and are recorded at amortized cost. All other investment securities are classified as AFS. These securities are held for an indefinite period of time and may be sold in response to changing market and interest rate conditions or for liquidity purposes as part of our overall asset/liability management strategy. AFS securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of other comprehensive income included in the consolidated statement of comprehensive income, net of applicable income taxes.

The amortized cost of debt securities is adjusted for the amortization of premiums to the first call date, if applicable, or to maturity, and for the accretion of discounts to maturity, or, in the case of mortgage-backed securities, over the estimated life of the security. Such amortization and accretion is included in interest income from investments. Interest and dividends are included in interest income from investments. Gains and losses on the sale of securities are recorded using the specific identification method.

The Corporation adopted ASC Topic 326 using the prospective transition approach for debt securities for which other than temporary impairment ("OTTI") had been recognized prior to January 1, 2023, such as AFS collateralized debt obligations. As a result, the amortized cost basis for such debt securities remained the same before and after the effective date of ASC Topic 326. The effective interest rate on these debt securities was not changed. Amounts previously written off are recognized in other comprehensive income ("OCI") as of January 1, 2023 relating to improvements in cash flows expected to be collected are accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to improvements in cash flows after January 1, 2023 are recorded in earnings when received.

Restricted Investment in Bank Stock

The Corporation owns non-marketable equity securities in a combination of the Federal Home Loan Bank of Atlanta ("FHLB"), Atlantic Community Bankers Bank and Community Banker's Bank. These securities are carried at cost, classified as restricted securities, and periodically evaluated for impairment based on ultimate recovery of par value.

The Corporation recognizes dividend income on a cash basis. For the years ended December 31, 2025 and December 31, 2024, dividends of \$379,944 and \$302,665, respectively, were recorded in other operating income.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or full repayment by the borrower are reported at their unpaid principal balance outstanding, adjusted for any deferred fees or costs pertaining to origination. Loans that management has the intent to sell are reported at the lower of cost or fair value

determined on an individual basis. There were \$0.1 million and \$0.8 million in loans held for sale at December 31, 2025 and December 31, 2024, respectively.

The segments of the Bank's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. The commercial real estate ("CRE") loan segment is further disaggregated into two classes. Non-owner occupied CRE loans, which include loans secured by non-owner occupied nonfarm nonresidential properties, generally have a greater risk profile than all other CRE loans, which include loans secured by farmland, multifamily structures and owner-occupied commercial structures. The acquisition and development ("A&D") loan segment is further disaggregated into two classes. One-to-four family residential construction loans are generally made to individuals for the acquisition of and/or construction on a lot or lots on which a residential dwelling is to be built. All other A&D loans are generally made to developers or investors for the purpose of acquiring, developing and constructing residential or commercial structures. These loans have a higher risk profile because the ultimate buyer, once development is completed, is generally not known at the time of the A&D loan. The commercial and industrial ("C&I") loan segment consists of loans made for the purpose of financing the activities of commercial customers. The residential mortgage loan segment is further disaggregated into two classes: amortizing term loans, which are primarily first liens, and home equity lines of credit, which are generally second liens. The consumer loan segment consists primarily of installment loans (direct and indirect), student loans and overdraft lines of credit connected with customer deposit accounts.

Management uses a 10-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first six categories are considered not criticized and are aggregated as "Pass" rated. The criticized rating categories utilized by management generally follow bank regulatory definitions. The Special Mention category includes assets that are currently protected but are potentially weak, resulting in an undue and unwarranted credit risk, but not to the point of justifying a Substandard classification. Loans in the Substandard category have well-defined weaknesses that jeopardize the liquidation of the debt and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. All loans greater than 90 days past due are considered Substandard. Only the portion of a specific allocation of the allowance for credit losses is associated with a pending event that could trigger loss in the short term is classified in the Doubtful category. It is possible for a loan to be classified as Substandard in the internal risk rating system, but not be individually evaluated under GAAP, due to the broader reach of "well-defined weaknesses" in the application of the Substandard definition.

Interest and Fees on Loans

Interest on loans (other than those on non-accrual status) is recognized based upon the principal amount outstanding. Loan fees in excess of the costs incurred to originate the loan are recognized as income over the life of the loan utilizing either the interest method or the straight-line method, depending on the type of loan. Generally, fees on loans with a specified maturity date, such as residential mortgages, are recognized using the interest method. Loan fees for lines of credit are recognized using the straight-line method.

A loan is considered to be past due when a payment has not been received for 30 days past its contractual due date. For all loan segments, the accrual of interest is discontinued when principal or interest is delinquent for 90 days or more unless the loan is well-secured and in the process of collection. Loans that are on a current payment status or past due less than 90 days may be classified as nonaccrual if repayment in full of principal and/or interest is unlikely. Interest payments received on non-accrual loans are applied as a reduction of the loan principal balance. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Generally, consumer installment loans are not placed on non-accrual status but are charged off after they are 120 days contractually past due. Loans other than consumer installment loans are charged-off based on an evaluation of the facts and circumstances of each individual loan.

Allowance for Credit Losses

An allowance for credit losses (the “ACL”) is maintained to absorb losses from the Corporation’s financial assets in accordance with ASC Topic 326: *Financial Instruments- Credit Losses*.

Allowance for Credit Losses Policy

The ACL represents an amount that, in management’s judgment, is adequate to absorb expected losses on outstanding securities, loans, and loan commitments at the balance sheet date based on the evaluation of the size and current risk characteristics of the portfolios, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience. The ACL is measured and recorded upon the initial recognition of a financial asset.

The ACL is reduced by charge-offs, net of recoveries of previous losses, and is increased or decreased by a provision for credit losses, which is recorded as a current period operating expense.

Determination of an appropriate ACL is inherently complex and requires the use of significant and highly subjective estimates. The reasonableness is reviewed quarterly by management.

Management believes it uses relevant information available to make determinations about the ACL and that it has established the existing allowance in accordance with GAAP. However, the determination of the ACL requires significant judgment, and estimates of expected losses in the loan portfolio can vary significantly from the amounts actually observed.

While management uses available information to recognize losses, future additions to the ACL may be necessary based on changes in the securities, loans, and loan commitments comprising the portfolios, changes in the current and forecasted economic conditions, changes to the interest rate environment which may directly impact prepayment and curtailment rate assumptions, and changes in the financial condition of borrowers.

Held-to-Maturity Securities

The ACL on HTM securities is a contra-asset valuation account, calculated in accordance with ASC 326. Management measures expected credit losses on HTM debt securities on a collective basis by major security type. Management has elected not to measure an ACL for accrued interest on securities. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Management classifies the HTM portfolio into the following major security types: securities issued or guaranteed by U.S. government agencies and corporations (including U.S. treasuries, agency bonds, and U.S. guaranteed residential mortgage-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligations), rated municipal securities, and unrated municipal securities. With regard to securities issued by U.S. government agencies and corporations, it is expected that the securities will not settle at prices less than the amortized cost bases of the securities as such securities are backed by the full faith and credit of and/or guaranteed by the U.S. government. Accordingly, no ACL has been recorded on these securities. With regard to securities issued by states and political subdivisions, management considers (i) issuer bond ratings, (ii) historical loss rates for given bond ratings, and (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities. Non-rated securities are evaluated internally based on financial performance and expected future cash flows.

Available-for-Sale Securities

For any AFS debt security in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery to its amortized cost basis. If either criterion regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through income.

For AFS debt securities that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss

exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through the ACL is recognized in OCI.

The Corporation adopted ASC Topic 326 using the prospective transition approach for debt securities for which OTTI had been recognized prior to January 1, 2023, such as AFS collateralized debt obligations. As a result, the amortized cost basis for such debt securities remained the same before and after the effective date of ASC Topic 326. The effective interest rate on these debt securities was not changed. Amounts previously written off are recognized in OCI as of January 1, 2023 relating to improvements in cash flows expected to be collected are accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to improvements in cash flows after January 1, 2023 are recorded in earnings when received.

Loans

An ACL is maintained as a valuation account that is deducted from the Corporation's loan portfolio's amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the ACL when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental condition, such as changes in unemployment rates, property values, or other relevant factors.

The ACL includes an estimate of credit losses for pooled loans utilizing the Discounted Cash Flow ("DCF") method. Reserves for pooled loans are estimated by calculating the amount by which the outstanding principal balance exceeds the current estimate of the present value of future cash flows discounted at the loan's original effective interest rate.

The ACL also includes an estimate of credit losses related to loans that are individually evaluated, known as Individually Evaluated Loans ("IEL"). Management evaluates individual loans in all of the commercial segments for possible impairment if the loan is greater than \$500,000 or is part of a relationship that is greater than \$750,000 and (i) is either in non-accrual status or (ii) is risk-rated Substandard and is greater than 60 days past due. Loans are considered to be individually evaluated when, based on current information and events, they no longer share the same risk characteristics of other loans within our portfolio. Factors considered by management in evaluating loans include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The Bank does not separately evaluate individual consumer and residential mortgage loans, unless such loans are part of larger relationship that is individually evaluated; otherwise, loans in these segments are considered individually evaluated when they are classified as non-accrual.

Once the determination has been made that a loan is an IEL, the determination of whether a specific allocation of the allowance is necessary is measured by comparing the recorded investment in the loan to the fair value of the loan using one of three methods: (i) the present value of expected future cash flows discounted at the loan's effective interest rate; (ii) the loan's observable market price; or (iii) the fair value of the collateral less selling costs. The method is selected on a loan-by-loan basis, with management utilizing the fair value of collateral or the discounted cash flow method for the analyses. If the fair value of the collateral less selling costs method is utilized for collateral securing loans in the commercial segments, then an updated external appraisal is ordered on the collateral supporting the loan if the loan balance

is greater than \$500,000 and the existing appraisal is greater than 18 months old. If the loan balance is less than \$500,000, then the estimated fair value of the collateral is determined by adjusting the existing appraisal by the appropriate percentage from an internally prepared appraisal discount grid. This grid considers the age of a third-party appraisal and the geographic region where the collateral is located in order to discount an appraisal. The discount rates in the appraisal discount grid are updated at least annually to reflect the most current knowledge that management has available, including the results of current appraisals. If there is a delay in receiving an updated appraisal or if the appraisal is found to be deficient in our internal appraisal review process and re-ordered, the Bank continues to use a discount factor from the appraisal discount grid based on the collateral location and current appraisal age in order to determine the estimated fair value. If the general market conditions in that geographic market have changed considerably, the property has deteriorated or perhaps lost an income stream, or a recent appraisal for a similar property indicates a significant change, then management may adjust the fair value indicated by the existing appraisal until a new appraisal is obtained. A specific allocation of the ACL is recorded if there is any deficiency in collateral value determined by comparing the estimated fair value to the recorded investment of the loan. When updated appraisals are received and reviewed, adjustments are made to the specific allocation as needed.

A loan that is considered a non-accrual or modified loan may be subject to the individually evaluated loan analysis if the commitment is \$0.1 million or greater; otherwise, the loan remains in the appropriate segment in the ACL model and associated reserves are adjusted based on changes in the discounted cash flows of the loan. For a discussion with respect to reserve calculations regarding individually evaluated loans, refer to the “Individually evaluated loans” section in Note 17, Fair Value of Financial Instruments. For a discussion with respect to loans modified to borrowers experiencing financial difficulty, refer to the “Loan Modifications for Borrowers Experiencing Financial Difficulty” section in Note 5, Loans and Related Allowance for Credit Losses.

The evaluation of the need and amount of a specific allocation of the ACL and whether a loan can be removed from impairment status is made on a quarterly basis.

Loan Commitments and Allowance for Credit Loss on Unfunded Commitments

Financial instruments include unfunded commitments such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Corporation’s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for unfunded commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Corporation records an ACL on unfunded commitments through a charge to provision for credit loss expense in the Corporation’s Consolidated Statement of Income. The ACL on unfunded commitments is estimated by loan segment at each balance sheet date under the CECL model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur, and is included in the ACL on unfunded commitments as a liability on the Corporation’s consolidated statement of financial condition.

Loan Modifications

In situations where, for economic or legal reasons related to a borrower experiencing financial difficulty, management may make a loan modification to the borrower that it would not otherwise consider, and the related loan is classified as a modified loan. Management strives to identify borrowers in financial difficulty early and work with them to modify the loan to more affordable terms before their loan reaches nonaccrual status. The Corporation modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay, or interest rate reductions. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL. These concessions are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. See Note 5, Loans and Related Allowance for Credit Losses, for more detail related to the accounting of modified loans.

Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost, less accumulated depreciation. The provision for depreciation for financial reporting has been made by using the straight-line method based on the estimated useful lives of the assets, which range from 10 to 31.5 years for buildings and three to 20 years for furniture and equipment.

Goodwill and Other Intangible Assets

Goodwill represents the excess purchase price paid over the fair value of the net assets acquired in a business combination. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Impairment testing requires that the fair value of each of the Corporation's reporting units be compared to the carrying amount of the reporting unit's net assets, including goodwill. If the fair values of the reporting units exceed their book values, no write-down of recorded goodwill is required. If the fair value of a reporting unit is less than book value, an expense may be required to write-down the related goodwill to the proper carrying value. Any impairment would be realized through a reduction of goodwill or the intangible and an offsetting charge to non-interest expense. Annually, the Corporation performs an impairment test of goodwill as of December 31 of each year. During the year, any triggering event that occurs may affect goodwill and could require an impairment assessment. Determining the fair value of a reporting unit requires the Corporation to use a degree of subjectivity. The Corporation's annual impairment test of goodwill and other intangible assets did not identify any impairment.

Accounting guidance provides the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset, or liability. Other intangible assets have finite lives and are reviewed for impairment annually. At December 31, 2025, other intangible assets included \$0.2 million for the purchase of certain assets from a wealth company and \$0.2 million for the purchase of certain assets of a mortgage company. These assets are amortized over their estimated useful lives either on a straight-line or sum-of-the-years basis over varying periods that initially did not exceed five years.

Bank-Owned Life Insurance ("BOLI")

BOLI policies are recorded at their cash surrender values. Changes in the cash surrender values are recorded as other operating income.

Other Real Estate Owned ("OREO")

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less the cost to sell at the date of foreclosure, with any losses charged to the ACL, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Changes in the valuation allowance, sales gains and losses, and revenue and expenses from holding and operating properties are all included in total net OREO expenses.

Income Taxes

First United Corporation and its subsidiaries file a consolidated federal income tax return. Income taxes are accounted for using the asset and liability method. Under the asset and liability method, the deferred tax liability or asset is determined based on the difference between the financial statement and tax bases of assets and liabilities (temporary differences) and is measured at the enacted tax rates that will be in effect when these differences reverse. A valuation

allowance, if needed, reduces deferred tax assets to the amount expected to be realized. Deferred tax expense is determined by the change in the net liability or asset for deferred taxes adjusted for changes in any deferred tax asset valuation allowance, or reserve. This reserve was based on the portion of the tax asset for which it is more likely than not that a tax benefit will not be realized by the Corporation.

A tax provision is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examinations for tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

State corporate income tax returns are filed annually. Federal and state returns may be selected for examination by the Internal Revenue Service and the states where we file, subject to statutes of limitations. At any given point in time, the Corporation may have several years of filed tax returns that may be selected for examination or review by taxing authorities.

Interest and penalties on income taxes are recognized as a component of income tax expense.

Defined Benefit Plans

The defined benefit pension plan and supplemental executive retirement plan are accounted for in accordance with ASC Topic 715, *Compensation – Retirement Benefits*. Under the provisions of ASC Topic 715, the defined benefit pension plan and the supplemental executive retirement plan are recognized as liabilities in the Consolidated Statement of Financial Condition, and unrecognized net actuarial losses, prior service costs and a net transition asset are recognized as a separate component of other comprehensive loss, net of tax. Actuarial gains and losses in excess of 10 percent of the greater of plan assets or the pension benefit obligation are amortized over a blend of future service of active employees and life expectancy of inactive participants. Refer to Note 14, Employee Benefit Plans, for a further discussion of the pension plan and supplemental executive retirement plan obligations.

Statement of Cash Flows

Cash and cash equivalents are defined as cash and due from banks and interest-bearing deposits in banks in the Consolidated Statements of Cash Flows. Cash flows are reported for customer loan and deposit transactions and interest-bearing deposits in banks.

Trust Assets and Income

Assets held in an agency or fiduciary capacity are not the Bank’s assets and, accordingly, are not included in the Consolidated Statements of Financial Condition. Income from the Bank’s trust department represents fees charged to customers and recognized through revenue recognition. Refer to Note 19, Revenue Recognition, and Note 20, Segment Reporting, for further discussion.

Business Segments

The Corporation operates in two business segments in which separate financial information is available and evaluated regularly by the Corporation’s Chief Operating Decision Maker (“CODM”), which consists of an internal team of the Corporation’s executive directors including the Chief Executive Officer, Chief Financial Officer, and Chief Wealth Officer. The Company’s reportable operating segments include community banking and wealth management. The CODM regularly makes decisions regarding how to allocate resources and assesses performance based on the financial results of these segments. Refer to Note 20, Segment Reporting, for further discussion.

Stock Repurchases

Under the Maryland General Corporation Law, shares of capital stock that are repurchased are cancelled and treated as authorized but unissued shares. When a share of capital stock is repurchased, the payment of the repurchase price reduces stated capital by the par value of that share (currently, \$0.01 for common stock), and any excess over par value reduces capital surplus. In 2025, the Corporation did not repurchase any shares of common stock. In 2024, the Corporation repurchased 201,800 shares of common stock at a weighted average price of \$19.99 per share.

Recent Accounting Pronouncements

Newly Adopted Pronouncements in 2025

In December 2023, FASB issued Accounting Standards Update (“ASU”) No. 2023-09, *“Income Taxes (Topic 740): Improvements to Income Tax Disclosures.”* ASU No. 2023-09 requires public business entities to disclose in their rate reconciliation table additional categories of information about Federal, state, and foreign income taxes and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. ASU No. 2023-09 also requires all entities to disclose income taxes paid, net of refunds, disaggregated by Federal, state, and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. ASU No. 2023-09 became effective for our financial statements in 2025 and will be effective for interim periods starting in fiscal year 2026. We elected to apply this standard on a retroactive basis. See Note 12, Income Taxes, for updated disclosures related to ASU No. 2023-09.

Recently issued but not yet effective Accounting Pronouncements

In November 2024, FASB issued ASU No. 2024-03, *“Income Statement- Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.”* ASU No. 2024-03 requires disaggregated disclosure of income statement expenses for public business entities. ASU No. 2024-03 requires new financial statement disclosures in tabular format, disaggregating information about prescribed categories underlying any relevant income statement expense caption. The prescribed categories include, among other things, employee compensation, depreciation, and intangible asset amortization. Additionally, entities must disclose the total amount of selling expenses and, in annual reporting periods, an entity’s definition of selling expenses. ASU No. 2024-03 is effective on a prospective basis for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, though early adoption and retrospective application is permitted. ASU No. 2024-03 is not expected to have a material impact on our financial statements.

In July 2025, FASB issued ASU No. 2025-05, *“Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets.”* ASU No. 2025-05 provides all entities with a practical expedient in developing reasonable and supportable forecasts as part of estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606. ASU No. 2025-05 is effective on a prospective basis or annual periods beginning after December 15, 2025, though early adoption and retroactive application is permitted. ASU No. 2025-05 is not expected to have a material impact on our financial statements.

In September 2025, FASB issued ASU No. 2025-06, *“Intangibles- Goodwill and Other Internal Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software.”* ASU No. 2025-06 applies to all entities subject to internal-use software guidance in Subtopic 350-40 and website development costs in accordance with Subtopic 350-50. The amendments in ASU No. 2025-06 remove all reference to prescriptive and sequential software development stages. Therefore, an entity is required to start capitalizing software costs when both the following occur: 1) management has authorized and committed to funding the software project and 2) it is probable that the project will be completed and the software will be used to perform the function intended. ASU No. 2025-06 is effective on a prospective basis on annual periods beginning after December 15, 2027, though early adoption and retroactive application is permitted. ASU No. 2025-06 is not expected to have a material impact on our financial statements.

In November 2025, FASB issued ASU No. 2025-08, *“Financial Instruments- Credit Losses (topic 326): Purchased Loans.”* ASU No. 2025-08 expands the scope of the “gross-up” method, formerly applicable only to purchased credit-deteriorated (“PCD”) assets, to include acquired non-PCD loans that meet certain criteria, now referred to as “purchased seasoned loans”. Under this model, an allowance for expected credit losses is recognized at acquisition, offsetting the loan’s amortized cost basis, thereby eliminating the day-one credit-loss expense previously required for non-PCD assets. PSLs are defined as non-PCD loans acquired either (i) through a business combination, or (ii) purchased more than 90 days after origination when the acquirer was not involved in origination. ASU No. 2025-08 is effective on a prospective basis on annual periods beginning after December 15, 2026, though early adoption and retroactive application is permitted. ASU No. 2025-08 is not expected to have a material impact on our financial statements.

In November 2025, FASB issued ASU No. 2025-09, *“Derivatives and Hedging (topic 815): Hedge Accounting Improvements.”* ASU No. 2025-09 amends ASC Topic 815 to align hedge accounting more closely with an entity’s economic risk management practices. Key amendments include (i) to allow designating a variable price component of a nonfinancial forecasted purchase or sale as the hedged risk, (ii) to allow grouping individual forecasted transactions with similar (not identical) risk exposures, (iii) a new model for hedging forecasted interest on a variable-rate debt, enabling changes in index or tenor without dedesignation, subject to simplifying assumptions, and (iv) additional clarifications related to hedge accounting of nonfinancial components, net written options, and dual-hedge strategies. ASU No. 2025-09 is effective on a prospective basis on annual periods beginning after December 15, 2026, though early adoption and retroactive application is permitted. ASU No. 2025-09 is not expected to have a material impact on our financial statements.

In November 2025, FASB issued ASU No. 2025-11, *“Interim reporting (topic 270): Narrow Scope Improvements.”* ASU No. 2025-11 clarifies and enhances guidance under ASC Topic 270 on interim financial reporting by (i) clarifying the scope of ASC 270 such that it now explicitly applies only to entities that issue complete interim financial statements and related notes under U.S. GAAP, (ii) establishing clear guidance on the form of interim statements and notes, incorporating a comprehensive list of required interim disclosures drawn from across the ASC, and (iii) introducing a requirement to disclose material events and changes occurring after the end of the last annual period that could impact interim results. ASU No. 2025-11 is effective on a prospective basis on annual periods beginning after December 15, 2027, though early adoption and retroactive application is permitted. ASU No. 2025-11 is not expected to have a material impact on our financial statements.

2. Earnings Per Share

Basic earnings per share is derived by dividing net income by the weighted-average number of common shares outstanding during the period and does not include the effect of any potentially dilutive common stock equivalents. Diluted earnings per share is derived by dividing net income by the weighted-average number of shares outstanding, adjusted for the dilutive effect of outstanding common stock equivalents. There were no anti-dilutive shares at December 31, 2025 or 2024.

The following table sets forth the calculation of basic and diluted earnings per share for the years ended December 31, 2025 and 2024:

(in thousands, except for per share amount)	2025			2024		
	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
Basic Earnings Per Share:						
Net income	\$ 24,515	6,490	\$ 3.78	\$ 20,569	6,527	\$ 3.15
Diluted Earnings Per Share:						
Restricted stock units		14			13	
Net income	\$ 24,515	6,504	\$ 3.77	\$ 20,569	6,540	\$ 3.15

3. Regulatory Capital Requirements

Banks and holding companies are subject to regulatory capital requirements administered by Federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on AFS securities is included in computing regulatory capital. Management believes that, as of December 31, 2025, the Bank met all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

As of December 31, 2025, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following table presents the Bank's capital ratios for years ended December 31, 2025 and 2024:

(in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2025						
Total Capital (to risk-weighted assets)	242,647	15.19%	127,823	8.00%	159,779	10.00%
Tier 1 Capital (to risk-weighted assets)	222,675	13.94%	95,867	6.00%	127,823	8.00%
Common Equity Tier 1 Capital (to risk-weighted assets)	222,675	13.94%	71,901	4.50%	103,856	6.50%
Tier 1 Capital (to average assets)	222,675	11.01%	81,108	4.00%	101,385	5.00%
(in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024						
Total Capital (to risk-weighted assets)	224,114	14.59%	122,883	8.00%	153,603	10.00%
Tier 1 Capital (to risk-weighted assets)	205,022	13.35%	92,162	6.00%	122,883	8.00%
Common Equity Tier 1 Capital (to risk-weighted assets)	205,022	13.35%	69,122	4.50%	99,842	6.50%
Tier 1 Capital (to average assets)	205,022	10.70%	76,739	4.00%	95,924	5.00%

Federal and state banking regulations place certain restrictions on the amount of dividends paid and loans or advances made by the Bank to First United Corporation. The total amount of dividends that may be paid at any date is generally limited to the retained earnings of the Bank, and loans or advances are limited to 10% of the Bank's capital stock and surplus on a secured basis. In addition, dividends paid by the Bank to First United Corporation would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

4. Investment Securities

The following table shows a comparison of amortized cost and fair values of investment securities at December 31, 2025 and 2024:

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
December 31, 2025					
Available for Sale:					
U.S. government agencies	\$ 2,000	\$ —	\$ 596	\$ —	\$ 1,404
Residential mortgage-backed agencies	25,891	40	3,076	—	22,855
Commercial mortgage-backed agencies	37,805	1	7,738	—	30,068
Collateralized mortgage obligations	29,795	40	2,445	—	27,390
Obligations of states and political subdivisions	8,557	35	67	—	8,525
Corporate bonds	1,000	—	93	—	907
Collateralized debt obligations	18,802	—	2,807	—	15,995
Total available for sale	<u>\$ 123,850</u>	<u>\$ 116</u>	<u>\$ 16,822</u>	<u>\$ —</u>	<u>\$ 107,144</u>

(in thousands)	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value	Allowance for Credit Losses
December 31, 2025					
Held to Maturity:					
U.S. government agencies	\$ 68,595	\$ —	\$ 7,721	\$ 60,874	\$ —
Residential mortgage-backed agencies	32,084	138	2,474	29,748	—
Commercial mortgage-backed agencies	20,947	—	5,180	15,767	—
Collateralized mortgage obligations	45,447	—	7,056	38,391	—
Obligations of states and political subdivisions	4,390	206	487	4,109	102
Total held to maturity	<u>\$ 171,463</u>	<u>\$ 344</u>	<u>\$ 22,918</u>	<u>\$ 148,889</u>	<u>\$ 102</u>

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(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
December 31, 2024					
Available for Sale:					
U.S. government agencies	\$ 7,000	\$ —	\$ 885	\$ —	\$ 6,115
Residential mortgage-backed agencies	24,621	—	4,425	—	20,196
Commercial mortgage-backed agencies	37,205	—	8,571	—	28,634
Collateralized mortgage obligations	21,069	—	3,343	—	17,726
Obligations of states and political subdivisions	6,533	—	324	—	6,209
Corporate bonds	1,000	—	104	—	896
Collateralized debt obligations	18,686	—	3,968	—	14,718
Total available for sale	<u>\$ 116,114</u>	<u>\$ —</u>	<u>\$ 21,620</u>	<u>\$ —</u>	<u>\$ 94,494</u>

(in thousands)	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value	Allowance for Credit Losses
December 31, 2024					
Held to Maturity:					
U.S. government agencies	\$ 68,301	\$ —	\$ 11,192	\$ 57,109	\$ —
Residential mortgage-backed agencies	32,171	1	3,561	28,611	—
Commercial mortgage-backed agencies	21,134	—	5,794	15,340	—
Collateralized mortgage obligations	49,439	—	9,724	39,715	—
Obligations of states and political subdivisions	4,511	177	703	3,985	59
Total held to maturity	<u>\$ 175,556</u>	<u>\$ 178</u>	<u>\$ 30,974</u>	<u>\$ 144,760</u>	<u>\$ 59</u>

Proceeds from sales and calls of AFS securities and the realized gains and losses for the years ended December 31, 2025 and 2024 are as follows:

(in thousands)	2025	2024
Proceeds	\$ 8,965	\$ —
Gross realized gains	203	—
Gross realized losses	(106)	—

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The Corporation's AFS security portfolio includes securities with a fair value of \$90.6 million and \$93.3 million, respectively, which had unrealized losses of \$16.8 million and \$21.6 million at December 31, 2025 and 2024, respectively. The Corporation does not have the intent to sell these securities, and it is likely that it will not be required to sell these securities before their anticipated recoveries.

The following table shows the Corporation's securities with gross unrealized and unrecognized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized position, at December 31, 2025 and 2024:

(in thousands)	Less than 12 months			12 months or more		
	Fair Value	Unrealized Losses	Number of Investments	Fair Value	Unrealized Losses	Number of Investments
December 31, 2025						
Available for Sale:						
U.S. government agencies	\$ —	\$ —	—	\$ 1,404	\$ 596	1
Residential mortgage-backed agencies	—	—	—	17,405	3,076	3
Commercial mortgage-backed agencies	—	—	—	28,623	7,738	9
Collateralized mortgage obligations	8,811	100	1	14,160	2,345	9
Obligations of states and political subdivisions	—	—	—	3,332	67	2
Corporate Bonds	—	—	—	907	93	1
Collateralized debt obligations	—	—	—	15,995	2,807	9
Total available for sale	<u>\$ 8,811</u>	<u>\$ 100</u>	<u>1</u>	<u>\$ 81,826</u>	<u>\$ 16,722</u>	<u>34</u>
(in thousands)	Less than 12 months			12 months or more		
	Fair Value	Unrecognized Losses	Number of Investments	Fair Value	Unrecognized Losses	Number of Investments
December 31, 2025						
Held to Maturity:						
U.S. government agencies	\$ —	\$ —	—	\$ 60,874	\$ 7,721	9
Residential mortgage-backed agencies	—	—	—	19,434	2,474	35
Commercial mortgage-backed agencies	—	—	—	15,767	5,180	2
Collateralized mortgage obligations	—	—	—	38,391	7,056	8
Obligations of states and political subdivisions	—	—	—	2,364	487	1
Total held to maturity	<u>\$ —</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 136,830</u>	<u>\$ 22,918</u>	<u>55</u>

(in thousands)	Less than 12 months			12 months or more		
	Fair Value	Unrealized Losses	Number of Investments	Fair Value	Unrealized Losses	Number of Investments
December 31, 2024						
Available for Sale:						
U.S. government agencies	\$ —	\$ —	—	\$ 6,115	\$ 885	2
Residential mortgage-backed agencies	1,974	18	1	18,222	4,407	3
Commercial mortgage-backed agencies	1,688	59	1	26,946	8,512	8
Collateralized mortgage obligations	2,892	50	1	14,834	3,293	9
Obligations of states and political subdivisions	1,224	18	2	3,742	306	3
Corporate Bonds	—	—	—	896	104	1
Collateralized debt obligations	—	—	—	14,718	3,968	9
Total available for sale	<u>\$ 7,778</u>	<u>\$ 145</u>	<u>5</u>	<u>\$ 85,473</u>	<u>\$ 21,475</u>	<u>35</u>

(in thousands)	Less than 12 months			12 months or more		
	Fair Value	Unrecognized Losses	Number of Investments	Fair Value	Unrecognized Losses	Number of Investments
December 31, 2024						
Held to Maturity:						
U.S. government agencies	\$ —	\$ —	—	\$ 57,109	\$ 11,192	9
Residential mortgage-backed agencies	8,291	132	5	20,243	3,429	35
Commercial mortgage-backed agencies	—	—	—	15,340	5,794	2
Collateralized mortgage obligations	—	—	—	39,715	9,724	8
Obligations of states and political subdivisions	—	—	—	2,179	703	1
Total held to maturity	<u>\$ 8,291</u>	<u>\$ 132</u>	<u>5</u>	<u>\$ 134,586</u>	<u>\$ 30,842</u>	<u>55</u>

At December 31, 2025 and December 31, 2024, the Corporation recorded ACL of approximately \$102,000 and \$59,000, respectively, related to one bond in the HTM security portfolio.

The amortized cost and estimated fair value of securities by contractual maturity at December 31, 2025 are shown in the following table. Actual maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands)	Amortized Cost	Fair Value
Contractual Maturity		
Available for sale:		
Due after one year through five years	\$ 250	\$ 250
Due after five years through ten years	16,680	14,751
Due after ten years	13,429	11,830
	<u>30,359</u>	<u>26,831</u>
Residential mortgage-backed agencies	25,891	22,855
Commercial mortgage-backed agencies	37,805	30,068
Collateralized mortgage obligations	29,795	27,390
Total available for sale	<u>\$ 123,850</u>	<u>\$ 107,144</u>
Held to Maturity:		
Due after one year through five years	\$ 17,050	\$ 16,640
Due after five years through ten years	45,393	40,147
Due after ten years	10,542	8,196
	<u>72,985</u>	<u>64,983</u>
Residential mortgage-backed agencies	32,084	29,748
Commercial mortgage-backed agencies	20,947	15,767
Collateralized mortgage obligations	45,447	38,391
Total held to maturity	<u>\$ 171,463</u>	<u>\$ 148,889</u>

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At December 31, 2025 and 2024, AFS investment securities with a fair value of \$87.1 million and \$71.6 million, respectively, and HTM investment securities with a book value of \$169.0 million and \$161.2 million, respectively, were pledged as permitted or required to secure public deposits, for securities sold under agreements to repurchase as required or permitted by law and as collateral for borrowing capacity.

5. Loans and Related Allowance for Credit Losses

The following table summarizes the primary segments of the loan portfolio as of December 31, 2025 and December 31, 2024:

(in thousands)	Commercial Real Estate	Acquisition and Development	Commercial and Industrial	Residential Mortgage	Consumer	Total
December 31, 2025						
Individually evaluated for impairment	\$ 617	\$ —	\$ 17,142	\$ 1,927	\$ —	\$ 19,686
Collectively evaluated for impairment	570,191	90,272	259,892	534,985	46,678	1,502,018
Total loans	<u>\$ 570,808</u>	<u>\$ 90,272</u>	<u>\$ 277,034</u>	<u>\$ 536,912</u>	<u>\$ 46,678</u>	<u>\$ 1,521,704</u>
December 31, 2024						
Individually evaluated for impairment	\$ 574	\$ —	\$ 2,048	\$ 1,810	\$ —	\$ 4,432
Collectively evaluated for impairment	525,790	95,314	285,486	517,005	52,766	1,476,361
Total loans	<u>\$ 526,364</u>	<u>\$ 95,314</u>	<u>\$ 287,534</u>	<u>\$ 518,815</u>	<u>\$ 52,766</u>	<u>\$ 1,480,793</u>

In the ordinary course of business, executive officers and directors of the Corporation, including their families and companies in which certain directors are principal owners, were loan customers of the Bank. Changes in the dollar amount of loans outstanding to officers, directors and their affiliates were as follows for the year ended December 31:

(in thousands)	2025
Balance at January 1	\$ 4,708
Loans or advances	1,138
Repayments	(1,849)
Balance at December 31	<u>\$ 3,997</u>

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due.

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The following table presents the classes of the loan portfolio at December 31, 2025 and December 31, 2024, summarized by the aging categories of performing loans and non-accrual loans.

(in thousands)	Current	30-59 Day Past Due	60-89 Days Past Due	90 Days+ Past Due	Total Past Due and still accruing	Non- Accrual	Total Loans
December 31, 2025							
Commercial real estate							
Non owner-occupied	\$ 334,581	\$ —	\$ —	\$ —	\$ —	\$ 102	\$ 334,683
All other CRE	234,459	769	304	—	1,073	593	236,125
Acquisition and development							
1-4 family residential construction	15,369	—	—	—	—	—	15,369
All other A&D	74,903	—	—	—	—	—	74,903
Commercial and industrial	275,826	112	28	—	140	1,068	277,034
Residential mortgage							
Residential mortgage - term	464,294	150	2,146	244	2,540	2,223	469,057
Residential mortgage – home equity	67,154	256	86	188	530	171	67,855
Consumer	46,100	252	246	45	543	35	46,678
Total	\$ 1,512,686	\$ 1,539	\$ 2,810	\$ 477	\$ 4,826	\$ 4,192	\$ 1,521,704
December 31, 2024							
Commercial real estate							
Non owner-occupied	\$ 296,259	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 296,259
All other CRE	228,875	257	—	317	574	656	230,105
Acquisition and development							
1-4 family residential construction	16,630	—	—	—	—	—	16,630
All other A&D	78,588	—	14	—	14	82	78,684
Commercial and industrial	285,675	—	21	—	21	1,838	287,534
Residential mortgage							
Residential mortgage - term	447,161	66	2,411	504	2,981	2,100	452,242
Residential mortgage – home equity	65,824	371	228	69	668	81	66,573
Consumer	52,117	364	83	28	475	174	52,766
Total	\$ 1,471,129	\$ 1,058	\$ 2,757	\$ 918	\$ 4,733	\$ 4,931	\$ 1,480,793

Non-accrual loans that have been subject to partial charge-offs totaled \$0.2 million at December 31, 2025 and \$0.7 million at December 31, 2024. Loans secured by 1-4 family residential real estate properties in the process of foreclosure totaled \$0.5 million at December 31, 2025 and \$1.6 million at December 31, 2024.

A loan that is considered a non-accrual or modified loan may be subject to the individually evaluated loan analysis if the commitment is \$100,000 or greater; otherwise, the loan remains in the appropriate segment in the ACL model and associated reserves are adjusted based on changes in the discounted cash flows. For a discussion with respect to reserve calculations regarding individually evaluated loans, refer to the “Individually evaluated loans” section in Note 17, Fair Value of Financial Instruments.

The Corporation maintains an ACL at a level determined to be adequate to absorb expected credit losses associated with the Corporation’s financial instruments over the life of those instruments as of the balance sheet date. The Corporation develops and documents a systematic ACL methodology based on the following portfolio segments: (i) commercial real estate, (ii) acquisition and development, (iii) commercial and industrial, (iv) residential mortgage, and (v) consumer. The Corporation’s loan portfolio is segmented by homogeneous loan types that behave similarly to economic cycles. The following is a discussion of the key risks by portfolio segment that management assesses in preparing the ACL.

Commercial Real Estate- loans are secured by commercial purpose real estate, including both owner-occupied properties and properties obtained for investment purposes, such as hotels, strip malls and apartments. Operations of the individual projects as well as global cash flows of the debtors are the primary source of repayment of these loans. The

condition of the local economy is an important indicator of risk, but there are more specific risks depending on the collateral type as well as the business.

Acquisition and Development- loans include both commercial and consumer. Commercial loans are made to finance construction of buildings or other structures, as well as to finance the acquisition and development of raw land for various purposes. While the risk of these loans is generally confined to the construction period, if there are problems, the project may not be completed, and as such, may not provide sufficient cash flow on its own to service the debt or have sufficient value in a liquidation to cover the outstanding principal. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the type of project and the experience and resources of the developer. Consumer loans are made for the construction of residential homes for which a binding sales contract exists and generally are for a period of time sufficient to complete construction. Residential construction loans to individuals generally provide for the payment of interest only during the construction phase. Credit risk for residential real estate construction loans can arise from construction delays, cost overruns, failure of the contractor to complete the project to specifications and economic conditions that could impact demand for supply of the property being constructed.

Commercial and Industrial- loans are made to operating companies or manufacturers for the purpose of production, operating capacity, accounts receivable, inventory or equipment financing. Cash flow from the operations of the borrower is the primary source of repayment for these loans. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the industry of the borrower. Collateral for these types of loans often do not have sufficient value in a distressed or liquidation scenario to satisfy the outstanding debt. These loans are also made to local municipalities for various purposes including refinancing existing obligations, infrastructure up-fit and expansion, or to purchase new equipment. The primary repayment source for local municipalities includes the tax base of the municipality, specific revenue streams related to the infrastructure financed, and other business operations of the municipal authority. The health and stability of state and local economies directly impacts each municipality's tax basis and are important indicators of risk for this segment. The ability of each municipality to increase taxes and fees to offset service requirements give this type of loan a very low risk profile in the continuum of the Corporation's loan portfolio.

Residential Mortgage- loans are secured by first and second liens such as home equity lines of credit and 1-4 family residential mortgages. The primary source of repayment for these loans is the income of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The state of the local housing market can also have a significant impact on this segment because low demand and/or declining home values can limit the ability of borrowers to sell a property and satisfy debt.

Consumer- loans are made to individuals and may be either secured by assets other than real estate or unsecured. This segment includes automobile loans and unsecured loans and lines of credit. The primary source of repayment for these loans is the income and assets of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The value of the collateral, if there is any, is less likely to be a source of repayment due to less certain collateral values.

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The following tables present the amortized cost basis of loans on a nonaccrual status and loans past due 90 days or more that are still accruing as of December 31, 2025 and 2024:

(in thousands)	Nonaccrual Loans With No Allowance for Credit Loss	Total Non-Accrual Loans	Loans Past due 90+ Days Still Accruing
December 31, 2025			
Commercial real estate			
Non owner-occupied	\$ 102	\$ 102	\$ —
All other CRE	593	593	—
Commercial and industrial	1,068	1,068	—
Residential mortgage			
Residential mortgage - term	2,223	2,223	244
Residential mortgage – home equity	171	171	188
Consumer	35	35	45
Total	<u>\$ 4,192</u>	<u>\$ 4,192</u>	<u>\$ 477</u>

(in thousands)	Nonaccrual Loans With No Allowance for Credit Loss	Total Non-Accrual Loans	Loans Past due 90+ Days Still Accruing
December 31, 2024			
Commercial real estate			
All other CRE	\$ 656	\$ 656	\$ 317
Acquisition and development			
All other A&D	82	82	—
Commercial and industrial	1,838	1,838	—
Residential mortgage			
Residential mortgage - term	2,100	2,100	504
Residential mortgage – home equity	81	81	69
Consumer	174	174	28
Total	<u>\$ 4,931</u>	<u>\$ 4,931</u>	<u>\$ 918</u>

The following table presents the amortized cost basis of collateral-dependent individually evaluated loans as of December 31, 2025 and 2024:

	December 31, 2025		
(in thousands)	Real Estate	Other Collateral	Non-Accrual Loans with No Allowance
Commercial real estate	\$ 617	\$ —	\$ 617
Commercial and industrial	—	978	978
Residential mortgage	1,927	—	1,927
Total Loans	<u>\$ 2,544</u>	<u>\$ 978</u>	<u>\$ 3,522</u>

	December 31, 2024		
(in thousands)	Real Estate	Other Collateral	Non-Accrual Loans with No Allowance
Commercial real estate	\$ 574	\$ —	\$ 574
Commercial and industrial	—	2,048	2,048
Residential mortgage	1,810	—	1,810
Total Loans	<u>\$ 2,384</u>	<u>\$ 2,048</u>	<u>\$ 4,432</u>

The following tables present the activity in the ACL for the years ended December 31, 2025 and 2024:

(in thousands)	Commercial Real Estate	Acquisition and Development	Commercial and Industrial	Residential Mortgage	Consumer	Total
Beginning balance at January 1, 2025	\$ 5,272	\$ 909	\$ 4,205	\$ 7,010	\$ 774	\$ 18,170
Loan charge-offs	—	(9)	(1,011)	(15)	(715)	(1,750)
Recoveries collected	—	316	73	41	275	705
Credit loss (credit)/expense	(628)	62	1,206	1,236	469	2,345
ACL balance at December 31, 2025	\$ 4,644	\$ 1,278	\$ 4,473	\$ 8,272	\$ 803	\$ 19,470
Beginning balance at January 1, 2024	\$ 5,120	\$ 940	\$ 3,717	\$ 6,774	\$ 929	\$ 17,480
Loan charge-offs	—	—	(1,610)	(45)	(1,369)	(3,024)
Recoveries collected	—	52	212	75	364	785
Credit loss expense/(credit)	70	(83)	1,886	206	850	2,929
ACL balance at December 31, 2024	\$ 5,272	\$ 909	\$ 4,205	\$ 7,010	\$ 774	\$ 18,170

The Corporation's methodology for estimating the ACL includes:

Segmentation. The Corporation's loan portfolio is segmented by homogeneous loan types that behave similarly to economic cycles.

Specific Analysis. A specific reserve analysis is applied to certain individually evaluated loans. These loans are evaluated quarterly using one of three methods: (i) the present value of expected future cash flows discounted at the loan's effective interest rate; (ii) the loan's observable market price; or (iii) the fair value of the collateral less selling costs. The method is selected on a loan-by-loan basis, with management utilizing the fair value of collateral or the discounted cash flow method for the analyses. A charge-off is recognized when the loss is quantifiable. Individually evaluated loans not specifically analyzed reside in the quantitative analysis.

Quantitative Analysis. The Corporation has elected to use discounted cash flows. Economic forecasts include but are not limited to unemployment, the Consumer Price Index, the Housing Affordability Index, and Gross State Product. These forecasts are assumed to revert to the long-term average and are utilized in the model to estimate the probability of default and the loss given default is the estimated loss rate, which varies over time. The estimated loss rate is applied within the appropriate periods in the cash flow model to determine the net present value. Net present value is also impacted by assumption related to the duration between default and recovery. The reserve is based on the difference between the summation of the principal balances taking amortized costs into consideration and the summation of the net present values.

The Corporation has elected to forecast out the first four quarters of the credit loss estimate and revert this forecast to long-term historical averages on a straight-line basis over eight quarters. By reverting these modeling inputs to their historical average and considering loan/borrower specific attributes, our models are intended to yield a measurement of expected credit losses that reflects our average historical loss rates for periods subsequent to the reversion period.

Qualitative Analysis. Based on management's review and analysis of internal, external and model risks, management may adjust the model output. Management reviews the peaks and troughs of the model's calibrations, taking into account economic forecasts to develop guardrails that serve as the basis for determining the reasonableness of the model's output and makes adjustments as necessary. This process challenges unexpected variability resulting from outputs beyond the model's calibrations that appear to be unreasonable. Management also enhances the calculation through the use of Moody's economic forecast data in its calculation. Additionally, management may adjust the economic forecast if it is incompatible with known market conditions based on management's experience and perspective.

The ACL is based on estimates, and actual losses may vary from current estimates. Management believes that the granularity of the homogeneous pools and the related historical loss ratios and other qualitative factors, as well as the

consistency in the application of assumptions, result in an ACL that is representative of the risk found in the components of the portfolio at any given date.

Credit Quality Indicators:

The Corporation's portfolio grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Corporation's internal credit risk grading system is based on debt service coverage, collateral values and other subjective factors. Mortgage and consumer loans are defaulted to pass grade until a loan migrates to past due status.

The Corporation has a loan review policy and annual scope report that details the level of loan review for loans in a given year. The annual loan review provides the Credit Risk Committee with an independent analysis of the following: (i) credit quality of the loan portfolio, (ii) compliance with loan policy, (iii) adequacy of documentation in credit files and (iv) validity of risk ratings.

The Corporation's internally assigned grades are as follows:

Pass- The Corporation uses six grades of pass, including its watch rating. Generally, a pass rating indicates that the loan is currently performing and is of high quality.

Special Mention- Assets with potential weaknesses that warrant management's close attention and if left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date.

Substandard- Assets that are inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. Such assets are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful- Assets with all weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions, and values, highly questionable and improbable.

Loss- Assets considered of such little value that their continuance on the books is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

The ability of borrowers to repay commercial loans is dependent upon the success of their business and general economic conditions. Due to the greater potential for loss within our commercial portfolio, we monitor the commercial loan portfolio through an internal risk rating system. Loan risk ratings are assigned based upon the creditworthiness of the borrower and are reviewed on an ongoing basis according to our internal policies. Loans rated special mention or substandard have potential or well-defined weaknesses not generally found in high quality, performing loans, and require attention from management to limit loss.

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The following tables present loan balances by year of origination and internally assigned risk ratings for our portfolio segments as of dates presented:

(in thousands)	2025	2024	2023	2022	2021	2020 and Prior	Revolving	Total Portfolio Loans
December 31, 2025								
Commercial real estate:								
Non-owner-occupied								
Pass	\$ 33,245	\$ 22,810	\$ 40,375	\$ 78,385	\$ 25,911	\$ 123,082	\$ 8,917	\$ 332,725
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	102	—	—	1,856	—	1,958
Total non-owner occupied	33,245	22,810	40,477	78,385	25,911	124,938	8,917	334,683
Current period gross charge-offs	—	—	—	—	—	—	—	—
All other CRE								
Pass	24,612	50,485	31,650	22,273	20,617	75,235	3,240	228,112
Special Mention	—	—	—	—	864	—	—	864
Substandard	—	915	—	—	1,712	3,922	600	7,149
Total all other CRE	24,612	51,400	31,650	22,273	23,193	79,157	3,840	236,125
Current period gross charge-offs	—	—	—	—	—	—	—	—
Acquisition and development:								
1-4 family residential construction								
Pass	11,783	91	980	—	—	—	2,515	15,369
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total acquisition and development	11,783	91	980	—	—	—	2,515	15,369
Current period gross charge-offs	—	—	—	—	—	—	—	—
All other A&D								
Pass	13,267	24,703	8,852	3,988	1,582	8,840	13,374	74,606
Special Mention	—	—	—	—	—	—	—	—
Substandard	297	—	—	—	—	—	—	297
Total all other A&D	13,564	24,703	8,852	3,988	1,582	8,840	13,374	74,903
Current period gross charge-offs	—	—	—	—	—	9	—	9
Commercial and industrial:								
Pass	37,145	17,406	17,629	45,513	11,060	13,892	71,139	213,784
Special Mention	—	4,250	19,112	3,638	32	—	4,963	31,995
Substandard	22	100	235	1,008	106	8,015	21,769	31,255
Total commercial and industrial	37,167	21,756	36,976	50,159	11,198	21,907	97,871	277,034
Current period gross charge-offs	—	—	—	—	570	441	—	1,011
Residential mortgage:								
Residential mortgage - term								
Pass	44,643	47,862	63,667	86,508	69,335	148,527	1,057	461,599
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	857	1,173	5,405	23	7,458
Total residential mortgage - term	44,643	47,862	63,667	87,365	70,508	153,932	1,080	469,057
Current period gross charge-offs	—	—	—	—	—	—	—	—
Residential mortgage - home equity								
Pass	558	59	567	3,180	557	866	61,070	66,857
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	9	989	998
Total residential mortgage - home equity	558	59	567	3,180	557	875	62,059	67,855
Current period gross charge-offs	—	—	15	—	—	—	—	15
Consumer:								
Pass	9,849	6,814	6,369	3,372	1,593	15,573	2,789	46,359
Special Mention	—	—	—	—	—	—	—	—
Substandard	60	94	82	49	7	15	12	319
Total consumer	9,909	6,908	6,451	3,421	1,600	15,588	2,801	46,678
Current period gross charge-offs	275	92	172	18	104	54	—	715
Total Portfolio Loans								
Pass	175,102	170,230	170,089	243,219	130,655	386,015	164,101	1,439,411
Special Mention	—	4,250	19,112	3,638	896	—	4,963	32,859
Substandard	379	1,109	419	1,914	2,998	19,222	23,393	49,434
Total Portfolio Loans	\$ 175,481	\$ 175,589	\$ 189,620	\$ 248,771	\$ 134,549	\$ 405,237	\$ 192,457	\$ 1,521,704
Current YTD Period:								
Current period gross charge-offs	\$ 275	\$ 92	\$ 187	\$ 18	\$ 674	\$ 504	\$ —	\$ 1,750

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(in thousands)	2024	2023	2022	2021	2020	2019 and Prior	Revolving	Total Portfolio Loans
December 31, 2024								
Commercial real estate:								
Non-owner-occupied								
Pass	\$ 22,807	\$ 23,454	\$ 73,649	\$ 28,941	\$ 52,080	\$ 89,977	\$ 1,960	\$ 292,868
Special Mention	—	—	—	—	706	—	—	706
Substandard	—	—	—	—	—	2,685	—	2,685
Total non-owner occupied	22,807	23,454	73,649	28,941	52,786	92,662	1,960	296,259
Current period gross charge-offs	—	—	—	—	—	—	—	—
All other CRE								
Pass	42,855	32,599	29,951	24,073	16,842	72,630	4,535	223,485
Special Mention	—	—	—	—	199	—	—	199
Substandard	994	—	—	1,744	—	3,453	230	6,421
Total all other CRE	43,849	32,599	29,951	25,817	17,041	76,083	4,765	230,105
Current period gross charge-offs	—	—	—	—	—	—	—	—
Acquisition and development:								
1-4 family residential construction								
Pass	11,686	3,317	—	—	—	—	1,627	16,630
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total acquisition and development	11,686	3,317	—	—	—	—	1,627	16,630
Current period gross charge-offs	—	—	—	—	—	—	—	—
All other A&D								
Pass	23,304	24,114	10,672	1,848	1,773	9,230	7,661	78,602
Special Mention	—	—	—	—	—	82	—	82
Substandard	—	—	—	—	—	—	—	—
Total all other A&D	23,304	24,114	10,672	1,848	1,773	9,312	7,661	78,684
Current period gross charge-offs	—	—	—	—	—	—	—	—
Commercial and industrial:								
Pass	35,898	29,786	65,663	17,558	6,777	13,758	75,440	244,880
Special Mention	4,250	13,000	3,500	—	1,842	—	9,084	31,676
Substandard	122	—	1,209	680	6,562	692	1,713	10,978
Total commercial and industrial	40,270	42,786	70,372	18,238	15,181	14,450	86,237	287,534
Current period gross charge-offs	465	—	125	892	41	87	—	1,610
Residential mortgage:								
Residential mortgage - term								
Pass	32,582	70,643	91,775	78,892	35,790	133,725	1,235	444,642
Special Mention	—	—	684	840	—	—	—	1,524
Substandard	—	—	60	1,054	—	4,923	39	6,076
Total residential mortgage - term	32,582	70,643	92,519	80,786	35,790	138,648	1,274	452,242
Current period gross charge-offs	—	—	—	—	—	30	—	30
Residential mortgage - home equity								
Pass	171	803	3,948	696	361	622	59,307	65,908
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	33	12	620	665
Total residential mortgage - home equity	171	803	3,948	696	394	634	59,927	66,573
Current period gross charge-offs	—	—	15	—	—	—	—	15
Consumer:								
Pass	11,132	10,945	6,312	3,525	1,091	16,593	2,833	52,431
Special Mention	—	—	—	—	—	—	—	—
Substandard	3	177	100	24	25	4	2	335
Total consumer	11,135	11,122	6,412	3,549	1,116	16,597	2,835	52,766
Current period gross charge-offs	204	314	109	64	23	655	—	1,369
Total Portfolio Loans								
Pass	180,435	195,661	281,970	155,533	114,714	336,535	154,598	1,419,446
Special Mention	4,250	13,000	4,184	840	2,747	—	9,084	34,105
Substandard	1,119	177	1,369	3,502	6,620	11,851	2,604	27,242
Total Portfolio Loans	\$ 185,804	\$ 208,838	\$ 287,523	\$ 159,875	\$ 124,081	\$ 348,386	\$ 166,286	\$ 1,480,793
Current YTD Period:								
Current period gross charge-offs	\$ 669	\$ 314	\$ 249	\$ 956	\$ 64	\$ 772	\$ —	\$ 3,024

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Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past.

The following tables present loan balances by year of origination segregated by performing and non-performing loans for the periods presented:

(in thousands)	2025	2024	2023	2022	2021	2020 and Prior	Revolving	Portfolio Loans
December 31, 2025								
Commercial real estate:								
Non-owner-occupied								
Performing	\$ 33,245	\$ 22,810	\$ 40,375	\$ 78,385	\$ 25,911	\$ 124,938	\$ 8,917	\$ 334,581
Nonperforming	—	—	102	—	—	—	—	102
Total non-owner occupied	33,245	22,810	40,477	78,385	25,911	124,938	8,917	334,683
All other CRE								
Performing	24,612	51,400	31,650	22,273	23,193	78,564	3,840	235,532
Nonperforming	—	—	—	—	—	593	—	593
Total all other CRE	24,612	51,400	31,650	22,273	23,193	79,157	3,840	236,125
Acquisition and development:								
1-4 family residential construction								
Performing	11,783	91	980	—	—	—	2,515	15,369
Nonperforming	—	—	—	—	—	—	—	—
Total acquisition and development	11,783	91	980	—	—	—	2,515	15,369
All other A&D								
Performing	13,564	24,703	8,852	3,988	1,582	8,840	13,374	74,903
Nonperforming	—	—	—	—	—	—	—	—
Total all other A&D	13,564	24,703	8,852	3,988	1,582	8,840	13,374	74,903
Commercial and industrial:								
Performing	37,167	21,756	36,976	49,181	11,108	21,907	97,871	275,966
Nonperforming	—	—	—	978	90	—	—	1,068
Total commercial and industrial	37,167	21,756	36,976	50,159	11,198	21,907	97,871	277,034
Residential mortgage:								
Residential mortgage - term								
Performing	44,643	47,862	63,667	87,365	70,127	151,846	1,080	466,590
Nonperforming	—	—	—	—	381	2,086	—	2,467
Total residential mortgage - term	44,643	47,862	63,667	87,365	70,508	153,932	1,080	469,057
Residential mortgage - home equity								
Performing	558	59	567	3,180	557	875	61,700	67,496
Nonperforming	—	—	—	—	—	—	359	359
Total residential mortgage - home equity	558	59	567	3,180	557	875	62,059	67,855
Consumer:								
Performing	9,909	6,891	6,416	3,409	1,600	15,572	2,801	46,598
Nonperforming	—	17	35	12	—	16	—	80
Total consumer	9,909	6,908	6,451	3,421	1,600	15,588	2,801	46,678
Total Portfolio Loans								
Performing	175,481	175,572	189,483	247,781	134,078	402,542	192,098	1,517,035
Nonperforming	—	17	137	990	471	2,695	359	4,669
Total Portfolio Loans	\$ 175,481	\$ 175,589	\$ 189,620	\$ 248,771	\$ 134,549	\$ 405,237	\$ 192,457	\$ 1,521,704

(in thousands)	2024	2023	2022	2021	2020	2019 and Prior	Revolving	Total Portfolio Loans
December 31, 2024								
Commercial real estate:								
Non-owner-occupied								
Performing	\$ 22,807	\$ 23,454	\$ 73,649	\$ 28,941	\$ 52,786	\$ 92,662	\$ 1,960	\$ 296,259
Nonperforming	—	—	—	—	—	—	—	—
Total non-owner occupied	22,807	23,454	73,649	28,941	52,786	92,662	1,960	296,259
All other CRE								
Performing	43,849	32,599	29,951	25,500	17,041	75,427	4,765	229,132
Nonperforming	—	—	—	317	—	656	—	973
Total all other CRE	43,849	32,599	29,951	25,817	17,041	76,083	4,765	230,105
Acquisition and development:								
1-4 family residential construction								
Performing	11,686	3,317	—	—	—	—	1,627	16,630
Nonperforming	—	—	—	—	—	—	—	—
Total acquisition and development	11,686	3,317	—	—	—	—	1,627	16,630
All other A&D								
Performing	23,304	24,114	10,672	1,848	1,773	9,230	7,661	78,602
Nonperforming	—	—	—	—	—	82	—	82
Total all other A&D	23,304	24,114	10,672	1,848	1,773	9,312	7,661	78,684
Commercial and industrial:								
Performing	40,270	42,786	69,180	17,592	15,181	14,450	86,237	285,696
Nonperforming	—	—	1,192	646	—	—	—	1,838
Total commercial and industrial	40,270	42,786	70,372	18,238	15,181	14,450	86,237	287,534
Residential mortgage:								
Residential mortgage - term								
Performing	32,582	70,643	92,519	80,661	35,790	136,184	1,259	449,638
Nonperforming	—	—	—	125	—	2,464	15	2,604
Total residential mortgage - term	32,582	70,643	92,519	80,786	35,790	138,648	1,274	452,242
Residential mortgage - home equity								
Performing	171	803	3,948	696	361	634	59,810	66,423
Nonperforming	—	—	—	—	33	—	117	150
Total residential mortgage - home equity	171	803	3,948	696	394	634	59,927	66,573
Consumer:								
Performing	11,135	11,008	6,378	3,549	1,116	16,543	2,835	52,564
Nonperforming	—	114	34	—	—	54	—	202
Total consumer	11,135	11,122	6,412	3,549	1,116	16,597	2,835	52,766
Total Portfolio Loans								
Performing	185,804	208,724	286,297	158,787	124,048	345,130	166,154	1,474,944
Nonperforming	—	114	1,226	1,088	33	3,256	132	5,849
Total Portfolio Loans	\$ 185,804	\$ 208,838	\$ 287,523	\$ 159,875	\$ 124,081	\$ 348,386	\$ 166,286	\$ 1,480,793

Loan Modifications for Borrowers Experiencing Financial Difficulty

The Corporation evaluates all loan modifications according to the accounting guidance in ASU No. 2022-02 to determine if the modification results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulties that result in a direct change in the timing or amount of contractual cash flows include situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, or combinations of the listed modifications. Therefore, the disclosures related to loan restructurings are for modifications which have a direct impact on cash flows.

The Corporation may offer various types of modifications when restructuring a loan. Commercial and industrial loans modified in a loan restructuring often involve temporary interest-only payments, term extensions, and converting credit lines to term loans. Additional collateral, a co-borrower, or a guarantor is often requested.

Commercial mortgage and construction loans modified in a loan restructuring often involve reducing the interest rate for the remaining term of the loan, extending the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or substituting or adding a new borrower or guarantor. Construction loans modified in a loan restructuring may also involve extending the interest-only payment period.

Loans modified in a loan restructuring for the Corporation may have the financial effect of increasing the specific allowance associated with the loan. An allowance for loans that have been modified in a loan restructuring is measured based on the present value of expected cash flows discounted at the loan's effective interest rate or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent. Management exercises significant judgment in developing these estimates.

Commercial and consumer loans modified in a loan restructuring are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a loan restructuring subsequently default, the Corporation evaluates the loan for possible further loss. The allowance may be increased, adjustments may be made in the allocation of the allowance, or partial charge-offs may be taken to further write-down the carrying value of the loan.

The following table presents the amortized cost basis, and the financial effect of loans modified to borrowers experiencing financial difficulty for the years ended December 31, 2025 and 2024.

(in thousands)	Term Extension	Percentage of Total Loan Type	Weighted Average Term and Principal Payment Extension
Year Ended December 31, 2025			
Commercial and industrial	\$ 246	0.09%	18 months
Total	<u>\$ 246</u>		
Year Ended December 31, 2024			
Owner-occupied commercial real estate	\$ 884	0.38%	12 months
Commercial and industrial	122	0.04%	60 months
Total	<u>\$ 1,006</u>		

During 2025, we modified the term of two commercial and industrial loans by extending their maturity dates. During 2024, we modified the term of one owner-occupied commercial real estate loan and one commercial by extending maturity dates. The Corporation monitors loan payments on performing and non-performing loans on an ongoing basis to determine if a loan is considered to have a payment default. The loans that were modified in the years ended December 31, 2025 and 2024 have made all contractual payments since modification. The loan modifications reported above did not significantly impact our determination of the allowance for credit losses on loans during 2025 or 2024.

If a modified loan with an outstanding balance of \$0.1 million or greater subsequently defaults and goes on non-accrual status, then the Corporation individually evaluates the loan when performing its CECL estimate to calculate the ACL. Upon determination that a modified loan (or a portion of a modified loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is charged off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the ACL is adjusted by the same amount.

6. Other Real Estate Owned

The following table presents the components of OREO, net of related valuation allowance, as of December 31, 2025 and 2024:

(in thousands)	2025	2024
Acquisition and development	\$ 1,083	\$ 2,698
Residential mortgage	—	364
Total OREO	<u>\$ 1,083</u>	<u>\$ 3,062</u>

The following table presents the activity in the OREO valuation allowance for the years ended December 31, 2025 and 2024:

(in thousands)	2025	2024
Balance January 1	\$ 199	\$ 313
Fair value write-downs, net	1,676	—
Sales of OREO	(191)	(114)
Balance December 31	<u>\$ 1,684</u>	<u>\$ 199</u>

The following table presents the components of OREO expenses, net, for the years ended December 31, 2025 and 2024:

(in thousands)	2025	2024
Gains on real estate, net	\$ (77)	\$ (161)
Fair value write-down	1,676	—
Expenses, net	638	435
Rental and other income	(2)	(3)
Total OREO expense, net	<u>\$ 2,235</u>	<u>\$ 271</u>

7. Premises and Equipment

The following table presents the components of premises and equipment at December 31, 2025 and 2024:

(in thousands)	2025	2024
Land	\$ 8,026	\$ 9,155
Land improvements	1,293	1,459
Premises	35,269	34,922
Furniture and equipment	17,924	18,846
	<u>62,512</u>	<u>64,382</u>
Less accumulated depreciation	(32,847)	(34,301)
Total	<u>\$ 29,665</u>	<u>\$ 30,081</u>

During the year ended December 31, 2025, the Corporation entered into a contract to sell one of its retail branch properties for \$1.6 million. At the time of the contracted sale, the Corporation recorded a \$0.2 million loss to write down the property to contracted sales price less estimated closing costs. \$1.6 million was reclassified as real estate held for sale and is included in other assets on the consolidated statement of financial condition at December 31, 2025. The contracted sale was finalized in February 2026.

The Corporation recorded depreciation expense of \$2.5 million and \$3.3 million for the years ended December 31, 2025 and 2024, respectively.

8. Deposits

The following table summarizes deposits as of December 31, 2025 and 2024:

(in thousands)	2025		2024	
	Balance	Percent	Balance	Percent
Non-Interest-bearing deposits:	\$ 453,036	26%	\$ 426,737	27%
Interest-bearing deposits:				
Demand	392,823	23%	386,803	25%
Money market- retail	529,870	30%	447,149	28%
Money market- brokered	1	0%	1	0%
Savings deposits	158,461	9%	170,972	11%
Time deposits- retail	150,958	9%	143,167	9%
Time deposits- brokered	50,000	3%	—	—
Total Deposits	<u>\$ 1,735,149</u>	<u>100%</u>	<u>\$ 1,574,829</u>	<u>100%</u>

Time deposits that met or exceeded the FDIC insurance limit of \$250,000 at December 31, 2025 and 2024 totaled \$51.1 million and \$43.7 million, respectively. At December 31, 2025 and 2024, \$0.5 million and \$0.2 million, respectively, of deposit overdrafts were re-classified as loans.

The following is a summary of the scheduled maturities of all time deposits maturing within the following years ended December 31:

(in thousands)	Time deposits- brokered		Time deposits- retail	
2026	\$	50,000	\$	132,040
2027		—		14,263
2028		—		3,971
2029		—		309
2030		—		375
Total	<u>\$</u>	<u>50,000</u>	<u>\$</u>	<u>150,958</u>

In the ordinary course of business, executive officers and directors of the Corporation, including their families and companies in which certain directors are principal owners, were deposit customers of the Bank. At December 31, 2025, executive officers and directors had approximately \$12.7 million in deposits with the Bank compared to \$11.9 million at December 31, 2024.

9. Borrowed Funds

The following is a summary of short-term borrowings at December 31, 2025 and 2024 with original maturities of less than one year:

(in thousands)	2025	2024
Securities sold under agreements to repurchase:		
Outstanding at end of year	\$ 17,661	\$ 15,409
Weighted average interest rate at year end	0.22%	0.24%
Maximum amount outstanding as of any month end	\$ 26,756	\$ 44,415
Average amount outstanding	\$ 19,565	\$ 29,805
Approximate weighted average rate during the year	0.22%	0.26%
Overnight borrowings, weighted average interest rate of 4.50% at December 31, 2024	\$ —	\$ 50,000

Repurchase agreements were secured by investment securities with a market value of \$24.8 million at December 31, 2025 and \$22.9 million at December 31, 2024.

The Bank has unsecured lines of credit totaling \$140.0 million with correspondent financial institutions and \$83.9 million in a secured line with the Federal Reserve Discount Window to meet daily liquidity requirements. At December 31, 2025, there were no overnight borrowings outstanding. At December 31, 2024, there were \$50.0 million in outstanding secured borrowings with the Federal Reserve Discount Window.

The following is a summary of long-term borrowings at December 31, 2025 and 2024 with original maturities exceeding one year:

(in thousands)	2025	2024
FHLB advances bearing fixed interest rates of 3.84% at December 31, 2025 and ranging from 3.84% to 4.04% at December 31, 2024	\$ 65,000	\$ 90,000
Junior subordinated debt, bearing variable interest rate of 6.72% at December 31, 2025 and 7.36% at December 31, 2024	\$ 30,929	\$ 30,929
Total long-term debt	<u>\$ 95,929</u>	<u>\$ 120,929</u>

In March 2004, Trust I and Trust II issued preferred securities with an aggregate liquidation amount of \$30.0 million to third-party investors and issued common equity with an aggregate liquidation amount of \$0.9 million to First United Corporation. These Trusts used the proceeds of these offerings to purchase an equal amount of junior subordinated debentures (“TPS Debentures”), as follows:

\$20.6 million—floating rate payable quarterly based on three-month Secured Overnight Financing Rate (“SOFR”) plus 275 basis points (6.72% at December 31, 2025), maturing in 2034, became redeemable five years after issuance at First United Corporation’s option.

\$10.3 million—floating rate payable quarterly based on three-month SOFR plus 275 basis points (6.72% at December 31, 2025) maturing in 2034, became redeemable five years after issuance at First United Corporation’s option.

The TPS Debentures issued to each of the Trusts represent the sole assets of that Trust, and payments of the TPS Debentures by First United Corporation are the only sources of cash flow for the Trust. First United Corporation has the right, without triggering a default, to defer interest on all of the TPS Debentures for up to 20 quarterly periods, in which case distributions on the preferred securities will also be deferred. Should this occur, the Corporation may not pay dividends or distributions on, or repurchase, redeem or acquire any shares of its capital stock.

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At December 31, 2025, the contractual maturity of the outstanding \$65.0 million FHLB advances is March 20, 2026, and the contractual maturity of the outstanding TPS Debentures is 2034.

The Bank has a borrowing capacity agreement with the FHLB in an amount equal to 30% of the Bank's assets. The available line of credit equaled \$599.4 million at December 31, 2025 and \$567.4 million at December 31, 2024. This line of credit, which can be used for both short and long-term funding, can only be utilized to the extent of available lendable collateral. The line is secured by certain qualified mortgage, commercial and home equity loans as follows (in thousands):

1-4 family mortgage loans	\$	153,691
Commercial loans		148,503
Multi-family loans		22,936
Home equity loans		10,342
Total available borrowing capacity	\$	335,472
Less: borrowings and letters of credit outstanding		(73,921)
Available credit	\$	<u>261,551</u>

10. Goodwill and Other Intangible Assets

The gross carrying amounts and accumulated amortization of intangible assets and goodwill are presented at December 31, 2025 and 2024 in the following table:

(in thousands)	2025				2024			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
Amortizing intangible assets:								
Intangible assets associated with purchase of wealth portfolio	\$ 1,048	\$ 838	\$ 210	1.00 years	\$ 1,048	\$ 629	\$ 419	2.00 years
Intangible assets associated with acquisition of mortgage company	600	370	230	1.92 years	600	250	350	2.92 years
Total Other intangibles	\$ <u>1,648</u>	\$ <u>1,208</u>	\$ <u>440</u>	1.48 years	\$ <u>1,648</u>	\$ <u>879</u>	\$ <u>769</u>	2.38 years
Goodwill	\$ <u>11,004</u>		\$ <u>11,004</u>		\$ <u>11,004</u>		\$ <u>11,004</u>	

The following table presents the estimated future amortization expense for amortizing intangible assets within the years ending December 31:

(in thousands)	Amount
2026	\$ 330
2027	110
Total amortizing intangible assets	\$ <u>440</u>

11. Accumulated Other Comprehensive Loss (“AOCL”)

The following table presents the changes in each component of AOCL for the years ended December 31, 2025 and 2024:

(in thousands)	Investment securities- with credit related impairment AFS	Investment securities- all other AFS	Investment securities- HTM	Cash Flow Hedge	Pension Plan	SERP	Total
Accumulated OCL, net:							
Balance - January 1, 2024	\$ (2,482)	\$ (13,217)	\$ (5,201)	\$ 569	\$ (14,263)	\$ (1,233)	\$ (35,827)
Other comprehensive income/(loss) before reclassifications	(163)	(374)	—	(197)	3,945	1,301	4,512
Amounts reclassified from accumulated							
other comprehensive loss	(148)	—	505	—	595	115	1,067
Balance - December 31, 2024	\$ (2,793)	\$ (13,591)	\$ (4,696)	\$ 372	\$ (9,723)	\$ 183	\$ (30,248)
Other comprehensive income/(loss) before reclassifications	564	3,279	—	(299)	1,088	(304)	4,328
Amounts reclassified from accumulated							
other comprehensive loss	(148)	(71)	484	—	389	—	654
Balance - December 31, 2025	<u>\$ (2,377)</u>	<u>\$ (10,383)</u>	<u>\$ (4,212)</u>	<u>\$ 73</u>	<u>\$ (8,246)</u>	<u>\$ (121)</u>	<u>\$ (25,266)</u>

The following tables present the components of other comprehensive income for the years ended December 31, 2025 and 2024:

Components of Other Comprehensive Income (in thousands)	Before Tax Amount	Tax (Expense) Benefit	Net
For the year ended December 31, 2025			
Available for sale (AFS) securities with credit-related impairment			
Unrealized holding gains	\$ 767	\$ (203)	\$ 564
Less: accretable yield recognized in income	202	(54)	148
Net unrealized gains on investments with credit-related impairment	565	(149)	416
Available for sale securities – all other:			
Unrealized holding gains	4,462	(1,183)	3,279
Less: gains recognized in income	97	(26)	71
Net unrealized gains on all other AFS securities	4,365	(1,157)	3,208
Held to maturity securities:			
Unrealized holding losses on securities transferred to held to maturity	—	—	—
Less: amortization recognized in income	(659)	175	(484)
Net unrealized gains on HTM securities	659	(175)	484
Cash flow hedges:			
Unrealized holding losses	(378)	79	(299)
Net unrealized losses on cash flow hedges	(378)	79	(299)
Pension Plan:			
Unrealized net actuarial gain	1,481	(393)	1,088
Less: amortization of unrecognized loss	(529)	140	(389)
Net pension plan asset adjustment	2,010	(533)	1,477
SERP:			
Unrealized net actuarial loss	(414)	110	(304)
Net SERP liability adjustment	(414)	110	(304)
Other comprehensive income	\$ 6,807	\$ (1,825)	\$ 4,982

Components of Other Comprehensive Income (in thousands)	Before Tax Amount	Tax Benefit (Expense)	Net
For the year ended December 31, 2024			
Available for sale (AFS) securities with credit related impairment:			
Unrealized holding losses	\$ (221)	\$ 58	\$ (163)
Less: accretable yield recognized in income	202	(54)	148
Net unrealized losses on investments with credit-related impairment	(423)	112	(311)
Available for sale securities – all other:			
Unrealized holding losses	(510)	136	(374)
Net unrealized losses on all other AFS securities	(510)	136	(374)
Held to maturity securities:			
Unrealized holding losses on securities transferred to held to maturity	—	—	—
Less: amortization recognized in income	(688)	183	(505)
Net unrealized gains on HTM securities	688	(183)	505
Cash flow hedges:			
Unrealized holding losses	(301)	104	(197)
Net unrealized losses on cash flow hedges	(301)	104	(197)
Pension Plan:			
Unrealized net actuarial gain	5,375	(1,430)	3,945
Less: amortization of unrecognized loss	(811)	216	(595)
Net pension plan asset adjustment	6,186	(1,646)	4,540
SERP:			
Unrealized net actuarial gain	1,773	(472)	1,301
Less: amortization of unrecognized loss	(157)	42	(115)
Net SERP liability adjustment	1,930	(514)	1,416
Other comprehensive income	\$ 7,570	\$ (1,991)	\$ 5,579

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The following tables present the details of accumulated other comprehensive loss components for the years ended December 31, 2025 and 2024:

Details of Accumulated Other Comprehensive Loss Components (in thousands)	Amount Reclassified from Accumulated Other Comprehensive Loss 2025	Affected Line Item in the Statement Where Net Income is Presented
Net unrealized gains on investment securities with credit related impairment:		
Accretable Yield	\$ 202	Interest income on taxable investment securities
Taxes	(54)	Provision for income tax expense
	<u>\$ 148</u>	Net of tax
Net unrealized gains on available for sale investment securities - all other:		
Gains on sales	\$ 97	Net gains
Taxes	(26)	Provision for income tax expense
	<u>\$ 71</u>	Net of tax
Net unrealized losses on held to maturity investment securities:		
Amortization	\$ (659)	Interest income on taxable investment securities
Taxes	175	Credit for income tax expense
	<u>\$ (484)</u>	Net of tax
Net pension plan asset adjustment:		
Amortization of unrecognized loss	\$ (529)	Other expense
Taxes	140	Credit for income tax expense
	<u>\$ (389)</u>	Net of tax
Total reclassifications for the period	<u><u>\$ (654)</u></u>	Net of tax

Details of Accumulated Other Comprehensive Loss Components (in thousands)	Amount Reclassified from Accumulated Other Comprehensive Loss 2024	Affected Line Item in the Statement Where Net Income is Presented
Net unrealized gains on investment securities with credit related impairment:		
Accretable Yield	\$ 202	Interest income on taxable investment securities
Taxes	(54)	Provision for income tax expense
	<u>\$ 148</u>	Net of tax
Net unrealized losses on held to maturity investment securities:		
Amortization	\$ (688)	Interest income on taxable investment securities
Taxes	183	Credit for income tax expense
	<u>\$ (505)</u>	Net of tax
Net pension plan asset adjustment:		
Amortization of unrecognized loss	\$ (811)	Other expense
Taxes	216	Credit for income tax expense
	<u>\$ (595)</u>	Net of tax
Net SERP liability adjustment:		
Amortization of unrecognized loss	\$ (157)	Other expense
Taxes	42	Credit for income tax expense
	<u>\$ (115)</u>	Net of tax
Total reclassifications for the period	<u><u>\$ (1,067)</u></u>	Net of tax

12. Income Taxes

The provision for income taxes from continuing operations consists of the following for the years ended December 31, 2025 and 2024:

(in thousands)	2025	2024
Current Tax expense:		
Federal	\$ 6,360	\$ 5,439
State	2,234	2,047
	<u>\$ 8,594</u>	<u>\$ 7,486</u>
Deferred tax benefit:		
Federal	\$ (489)	\$ (613)
State	(87)	(212)
	<u>\$ (576)</u>	<u>\$ (825)</u>
Provision for income tax expense for the year	<u>\$ 8,018</u>	<u>\$ 6,661</u>

The reconciliation between the statutory federal income tax rate and effective income tax rate for the years ended December 31, 2025 and 2024 is as follows:

(in thousands)	2025		2024	
	Amount	Percent	Amount	Percent
United States Federal statutory income tax	\$ 6,832	21.00%	\$ 5,718	21.00%
State and local income taxes, net of Federal income tax effect (1)	1,678	5.16%	1,405	5.16%
Tax credits:				
Low-income housing tax credits ("LIHTC")	(770)	(2.37)%	(770)	(2.83)%
Non-taxable or nondeductible items				
Bank owned life insurance	(296)	(0.91)%	(283)	(1.04)%
Other	(31)	(0.09)%	(33)	(0.12)%
Other adjustments:				
LIHTC investment, net amortization and tax benefit	620	1.91%	621	2.28%
Other	(15)	(0.05)%	3	0.01%
Total	<u>\$ 8,018</u>	<u>24.65%</u>	<u>\$ 6,661</u>	<u>24.46%</u>

- (1) Maryland state taxes made up the majority (greater than 50 percent) of the tax effect in this category in both 2025 and 2024.

The effective tax rate differs from the United States Federal statutory rate primarily due to tax credits, state and local taxes, and non-taxable and non-deductible items. The Corporation operates exclusively in the United States and had no foreign income, foreign income tax expense, or foreign income taxes paid for the years ended December 31, 2025 and 2024.

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's temporary differences as of December 31, 2025 and 2024 are as follows:

(in thousands)	2025	2024
Deferred tax assets:		
Allowance for credit losses	\$ 5,511	\$ 5,081
Deferred fees	128	137
Deferred compensation	1,317	1,233
Federal and state tax loss carry forwards	2,560	2,618
Low-income housing tax credits	299	367
Unrealized loss on investment securities	5,963	7,471
SERP	2,435	2,262
Depreciation	42	150
Lease liability	259	316
Other than temporary impairment on investment securities	359	413
Other real estate owned	446	53
Other	616	545
Total deferred tax assets	19,935	20,646
Valuation allowance	(2,560)	(2,618)
Total deferred tax assets less valuation allowance	17,375	18,028
Deferred tax liabilities:		
Goodwill and other intangibles	(2,774)	(2,785)
Lease right-of-use asset	(204)	(248)
Pension	(5,514)	(4,743)
Derivative contract	(16)	(96)
Other	(137)	(167)
Total deferred tax liabilities	(8,645)	(8,039)
Net deferred tax assets	\$ 8,730	\$ 9,989

In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income of the appropriate character (for example, ordinary income or capital gain) within the carry-back or carry-forward period available under the tax law during the periods in which temporary differences are deductible. The Corporation has considered future market growth, forecasted earnings, future taxable income, and feasible and permissible tax planning strategies in determining whether it will be able to realize the deferred tax asset. If the Corporation were to determine that it will not be able to realize a portion of its net deferred tax asset in the future for which there is currently no valuation allowance, an adjustment to the net deferred tax asset would be charged to earnings in the period such determination was made. Conversely, if the Corporation were to make a determination that it is more likely than not that the deferred tax assets for which there is a valuation allowance will be realized, the related valuation allowance would be reduced, and a benefit would be recorded.

At December 31, 2025, the Corporation had Maryland net operating losses ("NOLs") and other MD carryforwards of \$34.9 million for which a deferred tax asset of \$2.6 million has been recorded. There has been and continues to be a full valuation allowance on these NOLs based on management's belief that it is more likely than not that these NOLs will not be realized prior to the expiration of their carry-forward periods because the Corporation will not generate sufficient taxable income in the future to fully utilize the NOLs. The valuation allowance was \$2.6 million at both December 31, 2025 and 2024.

Income taxes paid in the years ended December 31, 2025 and 2024 were as follows:

(in thousands)	2025	2024
Federal	\$ 6,250	\$ 3,460
State and local		
Maryland	1,730	1,580
West Virginia	500	270
Other	3	73
Total taxes paid	<u>\$ 8,483</u>	<u>\$ 5,383</u>

For the years ended December 31, 2025 and 2024, the only state jurisdictions with cash taxes paid that equaled or exceeded 5% of total income taxes paid were Maryland and West Virginia.

The Corporation and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states jurisdictions. The 2022-2024 tax years remain open under the standard statute of limitations. Also, with few exceptions, the Corporation is no longer subject to state income tax examinations for tax years before 2022. Management has identified no uncertain tax positions at December 31, 2025.

Any interest and penalties on income tax assessments or income tax refunds are recognized in the Consolidated Statements of Income as a components of interest expense (income) and other operating expense. There were no amounts of accrued tax-related interest and penalties at December 31, 2025 or 2024. Furthermore, there were no net interest and penalties related to unrecognized tax benefits for the periods presented.

13. Equity Compensation Plans

At the 2018 Annual Meeting of Shareholders, First United Corporation's shareholders approved the First United Corporation 2018 Equity Compensation Plan (the "Equity Plan") which authorizes the issuance of up to 325,000 shares of common stock to employees, directors, and qualifying consultants pursuant to stock options, stock appreciation rights, stock awards, dividend equivalents, and other stock-based awards.

The Corporation complies with the provisions of ASC Topic 718, Compensation- Stock Compensation, in measuring and disclosing stock compensation cost. The measurement objective in ASC Paragraph 718-10-30-6 requires public companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The cost is recognized in expense over the period in which an employee is required to provide service in exchange for the award (the vesting period).

Pursuant to our director compensation policy, each director receives an annual retainer of 1,000 shares of First United Corporation common stock, plus \$15,000 to be paid, at the director's election, in cash or additional shares of common stock. In May 2025, a total of 11,692 fully vested shares of common stock were issued to directors, which had a grant date fair value of \$31.52 per share. In May 2024, a total of 14,325 fully vested shares of common stock were issued to directors, which had a grant date fair value of \$21.94 per share. Director stock compensation expense was \$350,451 for the year ended December 31, 2025 and \$292,109 for the year ended December 31, 2024.

Upon completion of 12 consecutive months of employment, all full-time employees of The Bank are eligible to receive 20 shares of First United Corporation stock. Additionally, certain employees are eligible to receive yearly stock compensation if certain criteria is met. Total employee stock compensation expense was \$104,120 and \$54,226 for the years ended December 31, 2025 and 2024, respectively.

Restricted Stock Units ("RSUs")

On March 26, 2020, pursuant to the Corporation's Long Term Incentive Plan (the "LTIP"), which is a sub-plan of the Equity Plan, the Compensation Committee of First United Corporation's Board of Directors (the "Committee")

granted RSUs to the Corporation's principal executive officer, its principal financial officer, and certain of its other executive officers. An RSU contemplates the issuance of shares of common stock of First United Corporation if and when the RSU vests.

The RSUs granted to each of the foregoing officers consist of (i) a performance vesting award for a three-year performance period and (ii) a time-vesting award that will vest ratably over a three-year period. Target performance levels were set based on the annual budget which supports the Corporation's long-term objective of achieving high performance as compared to peers. Threshold performance is the minimum level of acceptable performance as defined by the Committee and maximum performance represented a level potentially achievable under ideal circumstances. Achievement of the threshold performance level would result in each executive participant earning a payout at 50% of his or her respective target award opportunity. Achievement of the target performance level would result in the executive participant earning the target award and achievement at or above the maximum performance level would result in the executive participant earning 150% of the target opportunity. Actual results for any goal that falls between performance levels would be interpolated to calculate a proportionate award. For each of the performance periods ended December 31, 2023 through December 31, 2025, the RSUs performance goals were based on earnings per share and growth in tangible book value. For the performance periods ending December 31, 2026 and 2027, the RSUs performance goals are based on return on average equity and growth in tangible book value.

To receive any shares under an RSU, a grantee must be employed by the Corporation or one of its subsidiaries on the applicable vesting date, except that a grantee whose employment terminates prior to such vesting date due to death, disability or retirement will be entitled to a pro-rated portion of the shares subject to the RSUs, assuming that, in the case of performance-vesting RSUs, the performance goals had been met at their "target" levels.

In May 2021, RSUs relating to 7,389 performance-vesting shares and 3,693 time-vesting shares (target level) for plan year 2021 were granted, which had a grant date fair market value of \$17.93 per share of common stock underlying each RSU. The performance period for the performance-vesting RSUs was the three-year period ended December 31, 2023. On March 10, 2024, it was determined that 7,389 performance-vesting RSUs failed to vest. The time-vesting RSUs vested ratably over a three-year period that began on May 5, 2022. On May 5, 2022, 1,230 shares of the 3,693 time-vesting RSUs were issued to participants. On May 5, 2023, 1,230 shares of the remaining 2,463 time-vesting shares were issued to the participants. On May 5, 2024, the remaining 1,233 shares of the 3,693 time-vesting RSUs were issued to participants. LTIP compensation expense in respect of the 2021 RSU awards was \$7,365 for the year ended December 2024. All compensation expense related to the 2021 LTIP plans was recognized as of June 30, 2024.

In March 2022, RSUs relating to 8,096 performance-vesting shares and 6,238 time-vesting shares (target level) for plan year 2022 were granted, which had a grant date fair market value of \$21.88 per share of common stock underlying each RSU. The performance period for the performance-vesting RSUs was the three-year period ended December 31, 2024. The time-vesting RSUs vested ratably over a three-year period that began on March 10, 2023. On March 10, 2023, 2,079 shares of the 6,238 time-vesting RSUs were issued to participants. On March 10, 2024, 2,079 additional shares of the 6,238 time-vesting RSUs were issued to participants. On March 10, 2025, the remaining 2,080 shares of the 6,238 time-vesting RSUs were issued to participants. In the third quarter of 2024, it was projected that the performance-vesting shares would fail to vest. LTIP compensation expense in respect of the 2022 RSU awards was \$26,145 and \$104,581 for the years ended December 31, 2025 and 2024, respectively. All compensation expense related to the 2022 LTIP plans was recognized as of March 31, 2025.

In March 2023, RSUs relating to 10,214 performance-vesting shares and 7,920 time-vesting shares (target level) for plan year 2023 were granted, which had a grant date fair market value of \$18.25 per share of common stock underlying each RSU. The performance period for the performance-vesting RSUs was the three-year period ended December 31, 2025. The time-vesting RSUs will vest ratably over a three-year period that began on March 15, 2024. On March 15, 2024, 2,639 shares of the 7,920 time-vesting RSUs were issued to participants. On March 15, 2025, 2,639 shares of the 7,920 time-vesting RSUs were issued to participants. Subsequently, it has been determined that the performance vesting shares would fail to vest. LTIP compensation expense in respect of the 2023 RSU awards was \$110,340 for both of the

years ended December 31, 2025 and 2024. Unrecognized compensation expense as of December 31, 2025 related to unvested units was \$27,585.

In May 2024, RSUs relating to 8,593 performance vesting shares and 6,662 time vesting shares (target level) for plan year 2024 were granted, which had a grant date fair market value of \$22.26 per share of common stock underlying each RSU. The performance period for the performance-vesting RSUs is the three-year period ending December 31, 2026. The time-vesting RSUs will vest ratably over a three-year period that began on May 20, 2025. On May 20, 2025, 2,219 shares of the 6,662 time-vesting RSUs were issued to participants. LTIP compensation expense in respect of the 2024 RSU awards was \$113,256 and \$66,066 for the years ended December 31, 2025 and 2024, respectively. Unrecognized compensation expense as of December 31, 2025 related to unvested units was \$160,446.

In February 2025, RSUs relating to 6,006 performance vesting shares and 4,797 time vesting shares (target level) for plan year 2025 were granted, which had a grant date fair market value of \$37.59 per share of common stock underlying each RSU. The performance period for the performance-vesting RSUs is the three year period ending December 31, 2027. The time-vesting RSUs will vest ratably over a three year period beginning on February 25, 2026. LTIP compensation expense in respect of the 2025 RSU awards was \$112,868 for the year ended December 31, 2025. Unrecognized compensation expense as of December 31, 2025 related to unvested units was \$293,456.

14. Employee Benefit Plans

First United Corporation sponsors a noncontributory defined benefit Pension Plan (the “Pension Plan”) covering the employees who were hired prior to the freeze and others who were grandfathered into the Pension Plan. The benefits are based on years of service and the employees’ compensation during the last five years of employment.

Effective April 30, 2010, the Pension Plan was amended, resulting in a “soft freeze”, the effect of which prohibits new entrants into the Pension Plan and ceases crediting of additional years of service, after that date. Effective January 1, 2013, the Pension Plan was amended to unfreeze it for those employees for whom the sum of (i) their ages, at their closest birthday, plus (ii) years of service for vesting purposes equals 80 or greater. The “soft freeze” continues to apply to all other plan participants. Pension benefits for these participants will be managed through discretionary contributions to the First United Corporation 401(k) Profit Sharing Plan (the “401(k) Plan”).

During 2001, the Bank established an unfunded Defined Benefit Supplemental Executive Retirement Plan (“Defined Benefit SERP”). The Defined Benefit SERP is available only to a select group of management or highly compensated employees to provide supplemental retirement benefits in excess of limits imposed on qualified plans by federal tax law.

The benefit obligation activity for both the Pension Plan and Defined Benefit SERP was calculated using an actuarial measurement date of January 1. Plan assets and the benefit obligations were calculated using an actuarial measurement date of December 31.

On January 9, 2015, First United Corporation and members of management who do not participate in the Defined Benefit SERP entered into participation agreements under the Deferred Compensation Plan, each styled as a Defined Contribution SERP Agreement (the “Contribution Agreement”). Pursuant to each Contribution Agreement, First United Corporation agreed, for each Plan Year (as defined in the Deferred Compensation Plan) in which it determines that it has been profitable (as defined in the Contribution Agreement), to make a discretionary contribution to the participant’s Employer Account in an amount equal to 15% of the participant’s base salary level for such Plan Year, with the first Plan Year being the year ending December 31, 2015. The Contribution Agreement provides that the participant will become 100% vested in the amount maintained in his or her Employer Account upon the earliest to occur of the following events: (i) Normal Retirement (as defined in the Contribution Agreement); (ii) Separation from Service (as defined in the Contribution Agreement) following a Change of Control (as defined in the Deferred Compensation Plan) and subsequent Triggering Event (as defined in the Contribution Agreement); (iii) Separation from Service due to a Disability (as defined in the Contribution Agreement); (iv) with respect to a particular award of Employer Contribution Credits, the participant’s

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completion of two consecutive Years of Service (as defined in the Contribution Agreement) immediately following the Plan Year for which such award was made; or (v) death. Notwithstanding the foregoing, however, a participant will lose entitlement to the amount maintained in his or her Employer Account in the event employment is terminated for Cause (as defined in the Contribution Agreement). In addition, the Contribution Agreement conditions entitlement to the amounts held in the Employer Account on the participant (a) refraining from engaging in Competitive Employment (as defined in the Contribution Agreement) for three years following his or her Separation from Service, (b) refraining from injurious disclosure of confidential information concerning the Corporation, and (c) remaining available, at the First United Corporation's reasonable request, to provide at least six hours of transition services per month for 12 months following his or her Separation from Service (except in the case of death or Disability), except that only item (b) will apply in the event of a Separation from Service following a Change of Control and subsequent Triggering Event.

In January 2023, the Board of Directors approved discretionary contributions to three participants totaling \$108,184. The Corporation recorded \$54,092 of related compensation expense for 2024 related to these contributions. In January 2024, the Board of Directors approved discretionary contributions to three participants totaling \$114,958. The Corporation recorded \$57,479 of related compensation expense for both 2025 and 2024. In January 2025, the Board of Directors approved discretionary contributions to three participants totaling \$119,735. The Corporation recorded \$59,872 of related compensation expense for 2025. Each discretionary contribution has a two-year vesting period.

The following tables summarize benefit obligation and funded status, plan asset activity, components of net pension cost, and weighted average assumptions for the Pension Plan and the Defined Benefit SERP:

(in thousands)	Pension		Defined Benefit SERP	
	2025	2024	2025	2024
Change in Benefit Obligation				
Obligation at the beginning of the year	\$ 38,108	\$ 40,614	\$ 8,335	\$ 9,777
Service cost	13	10	140	182
Interest cost	2,075	1,984	455	480
Change in discount rate and mortality assumptions	1,423	(1,652)	—	—
Actuarial losses/(gains)	(574)	103	414	(1,768)
Benefits paid	(2,192)	(2,951)	(336)	(336)
Obligation at the end of the year	38,853	38,108	9,008	8,335
Change in Plan Assets				
Fair value at the beginning of the year	55,932	51,822	—	—
Actual return on plan assets	5,911	7,061	—	—
Employer contribution	—	—	336	336
Benefits paid	(2,192)	(2,951)	(336)	(336)
Fair value at the end of the year	59,651	55,932	—	—
Funded/(Unfunded) Status	<u>\$ 20,798</u>	<u>\$ 17,824</u>	<u>\$ (9,008)</u>	<u>\$ (8,335)</u>

(in thousands)	Pension		Defined Benefit SERP	
	2025	2024	2025	2024
Components of Net Pension Cost				
Service cost	\$ 13	\$ 10	\$ 140	\$ 182
Interest cost	2,075	1,984	455	480
Expected return on assets	(3,563)	(3,296)	—	—
Amortization of recognized loss	529	811	—	157
Net (income)/expense in employee benefits	<u>\$ (946)</u>	<u>\$ (491)</u>	<u>\$ 595</u>	<u>\$ 819</u>
Weighted Average Assumptions used to determine benefit obligations:				
Discount rate for benefit obligations	5.46%	5.61%	5.38%	5.57%
Discount rate for net pension cost	5.61%	5.02%	—	—
Expected long-term return on assets	6.50%	6.50%	—	—
Rate of compensation increase	4.00%	3.00%	4.00%	3.00%

The accumulated benefit obligation for the Pension Plan was \$36.4 million and \$35.3 million at December 31, 2025 and 2024, respectively. The accumulated benefit obligation for the Defined Benefit SERP was \$8.6 million and \$8.2 million at December 31, 2025 and 2024, respectively.

The investment assets of a defined benefit plan are managed with the goal of providing for retiree distributions while also supporting long-term plan obligations with a moderate level of portfolio risk. To address the variability over time of both risk and return, the plan investment strategy entails a dynamic approach to asset allocation, providing for normalized targets for major asset classes, with the ability to tactically adjust within the following specified ranges around those targets.

Asset class	Normalized	
	Target	Range
Cash	2%	0% - 20%
Fixed Income	36%	30% - 50%
Equities	62%	45% - 65%

Decisions regarding tactical adjustments within the above noted ranges for asset classes are based on a top-down review of factors expected to have material impact on the risk and reward dynamics of the portfolio as a whole. Such factors include, but are not limited to, the following:

- Anticipated domestic and international economic growth as a whole;
- The position of the economy within its longer term economic cycle; and
- The expected impact of economic vitality, cycle positioning, financial market risks, industry/demographic trends and political forces on the various market sectors and investment styles.

With respect to individual company securities, additional company specific matters are considered, which could include management track record and guidance, future earnings expectations, current relative price expectations and the impact of identified risks on expected performance, among others. A core equity position of large cap stocks will be maintained, with more aggressive or volatile sectors meaningfully represented in the asset mix in pursuit of higher returns.

Strategic and specific investment decisions are guided by an in-house investment committee as well as a number of outside institutional resources that provide economic, industry and company data and analytics. It is management's intent to give the Pension Plan's investment managers flexibility with respect to investment decisions and their timing within the overall guidelines. However, certain investments require specific review and approval by management. Management is also informed of anticipated changes in nonproprietary investment managers, significant modifications of any previously approved investment, or the anticipated use of derivatives to execute investment strategies.

Portfolio risk is managed in large part by a focus on diversification across multiple levels as well as an emphasis on financial strength. For example, current investment policies restrict initial investments in debt securities to be rated investment grade at the time of purchase. Also, with the exception of the highest rated securities (e.g., U.S. Treasury or government-backed agency securities), no more than 10% of the portfolio may be invested in a single entity's securities. As a result of the previously noted approaches to controlling portfolio risk, any concentrations of risk would be associated with general systemic risks faced by industry sectors or the portfolio as a whole.

Assets in the Pension Plan are valued by the Corporation's accounting system provider who utilizes a third-party pricing service. Valuation data is based on actual market data for stocks and mutual funds (Level 1) and matrix pricing for bonds (Level 2). Cash and cash equivalents are also considered Level 1 within the fair value hierarchy.

At December 31, 2025 and 2024, the value of Pension Plan investments was as follows:

December 31, 2025

(in thousands)	Assets at Fair Value	% of Portfolio	Fair Value Hierarchy	
			Level 1	Level 2
Cash and cash equivalents	\$ 716	1.2%	\$ 716	\$ —
Fixed income securities:				
U.S. Government and Agencies	2,139	3.5%	—	2,139
Taxable municipal bonds and notes	412	0.7%	—	412
Corporate bonds and notes	15,374	25.8%	—	15,374
Preferred stock	254	0.4%	—	254
Fixed income mutual funds	3,677	6.2%	3,677	—
Total fixed income	21,856	36.6%	3,677	18,179
Equities:				
Large Cap	24,149	40.5%	24,149	—
Mid Cap	2,017	3.4%	2,017	—
Small Cap	5,914	9.9%	5,914	—
International	4,999	8.4%	4,999	—
Total equities	37,079	62.2%	37,079	—
Total market value	\$ 59,651	100.0%	\$ 41,472	\$ 18,179

Note: The Large cap equities includes 157,963 and 194,124 shares of First United Corporation common stock at December 31, 2025 and 2024, respectively.

December 31, 2024

(in thousands)	Assets at Fair Value	% of Portfolio	Fair Value Hierarchy	
			Level 1	Level 2
Cash and cash equivalents	\$ 1,019	1.8%	\$ 1,019	\$ —
Fixed income securities:				
U.S. Government and Agencies	4,133	7.4%	—	4,133
Taxable municipal bonds and notes	469	0.8%	—	469
Corporate bonds and notes	12,645	22.6%	—	12,645
Preferred stock	263	0.5%	—	263
Fixed income mutual funds	3,812	6.8%	3,812	—
Total fixed income	21,322	38.1%	3,812	17,510
Equities:				
Large Cap	22,130	39.6%	22,130	—
Mid Cap	1,984	3.5%	1,984	—
Small Cap	6,544	11.7%	6,544	—
International	2,933	5.3%	2,933	—
Total equities	33,591	60.1%	33,591	—
Total market value	\$ 55,932	100.0%	\$ 38,422	\$ 17,510

As of December 31, 2025, the 25-year average return on pension portfolio assets was 6.63%, exceeding the expected long-term return of 6.50% utilized for 2025. Considering that future equity returns are partially a function of current starting valuations and the general level of interest rates, return expectations and forecasts by market analysts are largely in line with historical averages. Interest rates currently remain at or near multidecade highs and given that, fixed income assets return potential remains nearly double what it has been over the last decade. Even with equity valuations above historical averages, the monetary policy easing process is expected to continue this year, increasing the odds of fixed income outperformance. Therefore, it is considered appropriate to maintain the expected long-term rate of return of 6.50% for 2026.

Estimated cash flows related to expected future benefit payments from the Pension Plan and Defined Benefit SERP are as follows:

(in thousands)	Pension Plan	Defined Benefit SERP
2026	\$ 2,331	\$ 560
2027	2,382	605
2028	2,461	591
2029	2,518	588
2030	2,586	588
2031-2035	13,572	3,770

First United Corporation made no contributions to the Pension Plan in 2025 or 2024. First United Corporation will continue to evaluate future annual contributions to the Pension Plan based upon its funded status and an evaluation of the future benefits to be provided thereunder. The Bank expects to fund the annual projected benefit payments for the Defined Benefit SERP from operations.

The estimated costs that will be amortized from accumulated other comprehensive loss into net periodic pension cost during the next fiscal year are as follows:

(in thousands)	Pension	Defined Benefit SERP
Net actuarial loss	\$ 945	\$ —
	<u>\$ 945</u>	<u>\$ —</u>

15. 401(k) Profit Sharing Plan

In furtherance of First United Corporation's belief that every employee should have the ability to accrue retirement benefits, it adopted the 401(k) Profit Sharing Plan, which is available to all employees, including executive officers. Employees are automatically entered in the plan on the first of the month following completion of 30 days of service to First United Corporation and/or its subsidiaries. Employees have the opportunity to opt out of participation or change their deferral amounts under the plan at any time. In addition to contributions by participants, the plan contemplates employer matching and the potential of discretionary contributions to the accounts of participants. First United Corporation believes that matching contributions encourage employees to participate and thereby plan for their post-retirement financial future. Beginning with the 2008 plan year, First United Corporation enhanced the match formula to 100% on the first 1% of salary reduction and 50% on the next 5% of salary reduction. This match is accrued for all participants, including executive officers, immediately upon entering the plan on the first day of the month following the completion of 30 days of employment. Additionally, First United Corporation accrued a non-elective employer contribution during 2025 for all employees other than employees who participate in the Defined Benefit SERP and Defined Contribution SERP and those employees meeting the age plus service requirement in the Pension Plan equal to 4.0% of each employee's salary, and 0.5% of each employee's salary hired before January 1, 2010, which will be paid in the first quarter of 2026. The employee must be a plan participant and be actively employed on the last day of the plan year to share in the discretionary profit sharing contribution, except in the case of death, disability, or retirement of the participant. Expense charged to operations for the 401(k) Plan was \$1.6 million in 2025 and \$1.4 million in 2024.

16. Contractual Obligations, Commitments and Contingent Liabilities

Contractual Obligations

The Corporation enters into contractual obligations in the normal course of business. Among these obligations are brokered and retail time deposits, FHLB advances and junior subordinated debentures, operating lease agreements for banking and subsidiaries' offices, and for data processing and telecommunications equipment. At December 31, 2025, no large capital obligations are anticipated.

Commitments

Loan commitments are made to accommodate the financial needs of our customers. Loan commitments have credit risk essentially the same as that involved in extending loans to customers and are subject to normal credit policies. Commitments to extend credit generally have fixed expiration dates, may require payment of a fee, and contain cancellation clauses in the event of an adverse change in the customer's credit quality.

The contractual amounts of commitments to extend credit at December 31, 2025 and December 31, 2024 are as follows:

(in thousands)	2025	2024
Residential mortgage - home equity	\$ 73,155	\$ 70,894
Residential mortgage - construction	14,515	13,138
Commercial	177,791	163,079
Consumer - personal credit lines	4,531	4,224
Standby letters of credit	16,350	16,522
Total	<u>\$ 286,342</u>	<u>\$ 267,857</u>

We do not issue any guarantees that would require liability recognition or disclosure other than the standby letters of credit issued by the Bank. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party to support contractual obligations and to ensure job performance. Generally, the Bank's letters of credit are issued with expiration dates within one year. Historically, most letters of credit expire unfunded, and therefore, cash requirements are substantially less than the total commitment. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral and/or personal guarantees supporting letters of credit.

17. Fair Value of Financial Instruments

The Corporation complies with the guidance of ASC Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements. The Corporation also follows the guidance on matters relating to all financial instruments found in ASC Subtopic 825-10, *Financial Instruments – Overall*.

Fair value is defined as the price to sell an asset or to transfer a liability in an orderly transaction between willing market participants as of the measurement date. Fair value is best determined by values quoted through active trading markets. Active trading markets are characterized by numerous transactions of similar financial instruments between willing buyers and willing sellers. Because no active trading market exists for various types of financial instruments, many of the fair values disclosed were derived using present value discounted cash flows or other valuation techniques described below. As a result, the Corporation's ability to actually realize these derived values cannot be assumed.

The Corporation measures fair values based on the fair value hierarchy established in ASC Paragraph 820-10-35-37. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or

liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of inputs that may be used to measure fair value under the hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets and liabilities. This level is the most reliable source of valuation.

Level 2: Quoted prices that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability. Level 2 inputs include inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates). It also includes inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs). Several sources are utilized for valuing these assets, including a contracted valuation service, Standard & Poor's ("S&P") evaluations and pricing services, and other valuation matrices.

Level 3: Prices or valuation techniques that require inputs that are both significant to the valuation assumptions and not readily observable in the market (i.e. supported with little or no market activity). Level 3 instruments are valued based on the best available data, some of which is internally developed, and consider risk premiums that a market participant would require.

The level established within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Transfers in and out of Level 1, 2 or 3 are recorded at fair value at the beginning of the reporting period.

Investments – The investment portfolio is classified and accounted for based on the guidance of ASC Topic 320, *Investments – Debt and Equity Securities*.

The fair value of investments available-for-sale is determined using a market approach. U.S. Government agencies and treasuries, residential and commercial mortgage-backed securities, and municipal bonds segments are classified as Level 2 within the valuation hierarchy. Their fair values were determined based upon market-corroborated inputs and valuation matrices, which were obtained through third party data service providers or securities brokers through which we have historically transacted both purchases and sales of investment securities.

Derivative financial instruments (cash flow hedge) – The Corporation's open derivative positions are interest rate swap agreements. Those classified as Level 2 open derivative positions are valued using externally developed pricing models based on observable market inputs provided by a third party and validated by management. The Corporation has considered counterparty credit risk in the valuation of its interest rate swap assets.

Individually evaluated loans – Loans included in the table below are those that are considered individually evaluated with a specific allocation or with partial charge-offs, based upon the guidance of the loan impairment subsection of the *Receivables* Topic, ASC Section 310-10-35, under which the Corporation has measured impairment generally based on the fair value of the loan's collateral. Fair value consists of the loan balance less its valuation allowance and is generally determined based on independent third-party appraisals of the collateral or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values based upon the lowest level of input that is significant to the fair value measurements.

Equity investments- Equity investments included in the table below are considered recorded with a write-down to fair value recorded in other operating expenses. Fair value of the equity investment was based on an independent third-party valuation report where the value was determined based on the revenue multiples of like kind information technology businesses. These assets are included as Level 3 fair values based upon the lowest level of input that is significant to the fair value measurements.

Other real estate owned – OREO included in the table below are recorded with specific write-downs. Fair value of other real estate owned was based on independent third-party appraisals of the properties. These values were determined based on the sales prices of similar properties in the approximate geographic area. These assets are included as Level 3 fair values based upon the lowest level of input that is significant to the fair value measurements.

For assets measured at fair value on a recurring and non-recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2025 and 2024 are as follows:

Description	Assets Measured at 12/31/25	Fair Value Measurements at December 31, 2025 Using (in thousands)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring:				
Investment securities available-for-sale:				
U.S. government agencies	\$ 1,404	\$	\$ 1,404	\$
Residential mortgage-backed agencies	22,855		22,855	
Commercial mortgage-backed agencies	30,068		30,068	
Collateralized mortgage obligations	27,390		27,390	
Obligations of states and political subdivisions	8,525		8,525	
Corporate bonds	907		907	
Collateralized debt obligations	15,995			15,995
Equity investments not held for trading with readily determinable fair values	1,029	1,029		
Financial derivative	76		76	
Non-recurring:				
Individually evaluated loans	266			266
Other real estate owned	853			853

Description	Assets Measured at 12/31/24	Fair Value Measurements at December 31, 2024 Using (in thousands)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring:				
Investment securities available-for-sale:				
U.S. treasuries	\$ 6,115	\$	\$ 6,115	\$
U.S. government agencies	20,196		20,196	
Residential mortgage-backed agencies	28,634		28,634	
Commercial mortgage-backed agencies	17,726		17,726	
Collateralized mortgage obligations	6,209		6,209	
Obligations of states and political subdivisions	896		896	
Collateralized debt obligations	14,718			14,718
Financial derivative	455		455	
Non-recurring:				
Individually evaluated loans	647			647
Equity investment	3,928			3,928
Other real estate owned	2,698			2,698

There were no transfers of assets between any of the levels of the fair value hierarchy for the years ended December 31, 2025 or December 31, 2024.

For Level 3 assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2025 and 2024, the significant unobservable inputs used in the fair value measurements were as follows:

(in thousands)	Fair Value at December 31, 2025	Valuation Technique	Significant Unobservable Inputs	Significant Unobservable Input Value
Recurring:				
Investment Securities – available for sale - CDO	\$ 15,995	Discounted Cash Flow	Discount Rate	Range of upper 200s to upper 400s
Non-recurring:				
Individually Evaluated Loans	\$ 266	Market Comparable Properties	Marketability Discount	N/A
Other Real Estate Owned ⁽¹⁾	\$ 853	Market Comparable Properties	Marketability Discount	15.0%

(in thousands)	Fair Value at December 31, 2024	Valuation Technique	Significant Unobservable Inputs	Significant Unobservable Input Value
Recurring:				
Investment Securities – available for sale - CDO	\$ 14,718	Discounted Cash Flow	Discount Rate	Range of low to mid 300 and low 500
Non-recurring:				
Individually Evaluated Loans	\$ 647	Market Comparable Properties	Marketability Discount	N/A
Equity Investment	\$ 3,928	Market Method	Revenue Multiples	2.8x
Other Real Estate Owned ⁽¹⁾	\$ 2,698	Market Comparable Properties	Marketability Discount	5.0% to 15.0% (weighted avg 5.9%)

(1) Range would include discounts taken since appraisal and estimated values.

The following tables show a reconciliation of the beginning and ending balances for fair valued assets measured using Level 3 significant unobservable inputs for the years ended December 31, 2025 and 2024:

(in thousands)		Fair Value Measurement Using Unobservable Inputs (Level 3)	
		Investment Securities Available for Sale	
Beginning balance January 1, 2025	\$		14,718
Total gains realized/unrealized:			
Included in other comprehensive income			1,277
Ending balance December 31, 2025	\$		15,995

(in thousands)		Fair Value Measurement Using Unobservable Inputs (Level 3)	
		Investment Securities Available for Sale	
Beginning balance January 1, 2024	\$		14,709
Total gains realized/unrealized:			
Included in other comprehensive income			9
Ending balance December 31, 2024	\$		14,718

Gains and losses (realized and unrealized) included in earnings for the periods above are reported in the Consolidated Statement of Income in other operating income.

The fair values disclosed may vary significantly between institutions based on the estimates and assumptions used in the various valuation methodologies. The derived fair values are subjective in nature and involve uncertainties and significant judgment. Therefore, they cannot be determined with precision. Changes in the assumptions could significantly impact the derived estimates of fair value. Disclosure of non-financial assets such as buildings as well as certain financial instruments such as leases is not required. Accordingly, the aggregate fair values presented do not represent the underlying value of the Corporation.

The following table presents fair value information about financial instruments, whether or not recognized in the statement of financial condition, for which it is practicable to estimate that value. The actual carrying amounts and estimated fair values of the Corporation's financial instruments that are included in the statement of financial condition are as follows:

(in thousands)	December 31, 2025		Fair Value Measurements		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Cash and due from banks	\$ 129,830	\$ 129,830	\$ 129,830		
Interest bearing deposits in banks	1,782	1,782	1,782		
Investment securities - AFS	107,144	107,144		\$ 91,149	\$ 15,995
Investment securities - HTM	171,361	148,889		147,144	1,745
Equity investments not held for trading with readily determinable fair values	1,029	1,029	1,029		
Restricted bank stock	4,630	N/A			
Loans, net	1,501,758	1,469,463			1,469,463
Financial derivative	76	76		76	
Accrued interest receivable	7,904	7,904		895	7,009
Financial Liabilities:					
Deposits – non-maturity	1,534,191	1,534,191		1,534,191	
Deposits – time deposits	200,958	199,967		199,967	
Short-term borrowed funds	17,661	17,661		17,661	
Long-term borrowed funds	95,929	95,775		95,775	
Accrued interest payable	953	953		953	

(in thousands)	December 31, 2024		Fair Value Measurements		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Cash and due from banks	\$ 77,020	\$ 77,020	\$ 77,020		
Interest bearing deposits in banks	1,307	1,307	1,307		
Investment securities - AFS	94,494	94,494		\$ 79,776	\$ 14,718
Investment securities - HTM	175,497	144,760		142,954	1,806
Restricted bank stock	5,768	N/A			
Loans, net	1,462,181	1,421,600			1,421,600
Financial derivative	455	455		455	
Accrued interest receivable	7,473	7,473		827	6,646
Financial Liabilities:					
Deposits – non-maturity	1,431,662	1,431,662		1,431,662	
Deposits – time deposits	143,167	141,698		141,698	
Short-term borrowed funds	65,409	65,409		65,409	
Long-term borrowed funds	120,929	119,586		119,586	
Accrued interest payable	489	489		489	

18. Derivative Financial Instruments

As a part of managing interest rate risk, the Corporation entered into interest rate swap agreements to modify the re-pricing characteristics of certain interest-bearing liabilities. The Corporation has designated its interest rate swap

agreements as cash flow hedges under the guidance of ASC Subtopic 815-30, *Derivatives and Hedging – Cash Flow Hedges*. Cash flow hedges have the effective portion of changes in the fair value of the derivative, net of taxes, recorded in net accumulated other comprehensive income.

In March 2016, the Corporation entered into four interest rate swap contracts totaling \$30.0 million notional amount, hedging future cash flows associated with floating rate trust preferred debt. As of December 31, 2025, \$15.0 million notional amount remains. The interest rate swap creates an effective fixed interest rate of 4.65% on the \$15.0 million notional amount of the Corporation's junior subordination debt until the interest rate swap's maturity in March 2026.

The fair value of the interest rate swap contracts was \$0.1 million and \$0.5 million at December 31, 2025 and December 31, 2024, respectively.

For the year ended December 31, 2025, the Corporation recorded a decrease in the value of the derivatives of \$0.4 million and the related deferred tax of \$0.1 million in net accumulated other comprehensive loss to reflect the effective portion of cash flow hedges. ASC Subtopic 815-30 requires the net accumulated other comprehensive loss to be reclassified to earnings if the hedge becomes ineffective or is terminated. There was no hedge ineffectiveness recorded for the year ended December 31, 2025. The Corporation does not expect any material losses relating to these hedges to be reclassified into earnings within the next 12 months.

Interest rate swap agreements are entered into with counterparties that meet established credit standards, and the Corporation believes that the credit risk inherent in these contracts is not significant at December 31, 2025.

The table below discloses the impact of derivative financial instruments on the Corporation's Consolidated Financial Statements for the years ended December 31, 2025 and December 31, 2024.

Derivative in Cash Flow Hedging Relationships

(in thousands)	Amount of loss recognized in OCI on derivative (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion) (1)	Amount of gain or (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) (2)
Interest rate contracts:			
December 31, 2025	\$ (299)	\$ —	\$ —
December 31, 2024	\$ (197)	\$ —	\$ —

Notes:

- (1) Reported as interest expense
- (2) Reported as other income

19. Revenue Recognition

ASC Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. ASC Topic 606 is applicable to noninterest revenue streams such as wealth management, including trust and brokerage services, service charges on deposit accounts, interchange fee income – debit card income and gains/losses on OREO sales. Noninterest revenue streams in-scope of ASC Topic 606 are discussed below.

Wealth Management – Trust and Brokerage

Trust and asset management income is primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Corporation's performance obligation is generally satisfied over time, and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to customers' accounts. Optional services such as real estate sales and tax return preparation services are also available to existing trust and asset management customers. The Corporation's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, and other deposit account related fees. The Corporation's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and therefore, the Corporation's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Other Service Charges

Fees, exchange, and other service charges are primarily comprised of ATM fees, loan servicing fees and other service charges. ATM fees are primarily generated when a Bank cardholder uses a non-Bank ATM, or a non-Bank cardholder uses a Bank ATM. Loan servicing fees are comprised of fees earned on servicing of loan portfolios sold to the secondary market.

Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Corporation's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion.

Interchange Fees – Debit and Credit Card Income

Debit and credit card income is primarily comprised of interchange fees earned whenever the Corporation's debit cards are processed through card payment networks such as Visa. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees. Payment is typically received immediately or in the following month.

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of ASC Topic 606.

(in thousands)	Year Ended December 31,	
	2025	2024
Noninterest income		
In-scope of Topic 606:		
Service charges on deposit accounts	\$ 2,255	\$ 2,220
Other service charges	845	887
Trust department	9,824	9,094
Debit card income	4,057	4,065
Brokerage commissions	1,445	1,449
Noninterest income (in-scope of Topic 606)	\$ 18,426	\$ 17,715
Noninterest income (out-of-scope of Topic 606)	1,740	1,696
Total Noninterest Income	<u>\$ 20,166</u>	<u>\$ 19,411</u>

20. Segment Reporting

The Corporation is managed under an organizational structure that conducts business in two primary operating segments: (i) Community Banking and (ii) Wealth Management. The Corporation is primarily managed based on the line of business structure. In that regard, the Corporation provides the same lines of business, which have the same product and service offerings, have similar types and classes of customers and utilize similar service delivery methods across our entire geographic footprint. Pricing guidelines for products and services are across all regions. Community Banking and Trust and Investment Services are delineated by the products and services that each segment offers.

Business activity for the operating segments are as follows:

Community Banking: The Community Banking segment is conducted through the Bank and involves delivering a broad range of financial products and services, including various loan and deposit products, to consumer, business, and not-for-profit customers. Parent company income and assets are included in the Community Banking segment, as the majority of parent company functions are related to this segment. Major revenue sources include net interest income, gains on sales of mortgage loans, and service charges on deposit accounts. Expenses include salaries and employee benefits, occupancy, data processing, FDIC premiums, marketing, equipment, and other expenses.

Wealth Management: The Wealth Management segment is conducted through the Bank and offers corporate trustee services, trust and estate administration, IRA administration and custody services. Revenues for this segment is generated from administration, service and custody fees, brokerage commissions, and management fees that are derived from Assets Under Management. Expenses include personnel, occupancy, data processing, marketing, equipment, and other expenses.

The accounting policies of each reportable segment are the same as those of our consolidated entity except that expenses for consolidated back-office operations and general overhead-type expenses such as executive administration, accounting, information technology and human resources are recorded in the Community Banking segment and reimbursed by the Wealth Management segment through a monthly management fee based on estimated uses of those services.

An internal team of the Corporation's executive directors including the Chief Executive Officer, Chief Financial Officer, and Chief Wealth Officer serve as the Corporation's CODM. The CODM reviews actual net income verses budgeted net income to assess segment performance on a monthly basis and to make decisions about allocating capital and personnel to the segments.

Financial results by operating segment, including significant expense categories provided to the CODM are detailed below. Certain prior period amounts have been reclassified to conform to the current presentation. The Trust and Investment Services segment excludes off-balance-sheet assets under management with a total fair value of \$1.8 billion and \$1.7 billion at December 31, 2025 and 2024, respectively.

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Information for the operating segments for the years ended December 31, 2025 and 2024 are presented in the following tables:

	December 31, 2025		
(in thousands)	Community Banking	Wealth Management	Total
Interest income	\$ 100,848	\$ —	\$ 100,848
Interest expense	32,735	—	32,735
Net interest income	68,113	—	68,113
Credit loss expense	2,743	—	2,743
Net interest income after credit loss expense	65,370	—	65,370
Other operating income:			
Net gains on investments, available for sale	97	—	97
Net gains on sales of residential mortgages	533	—	533
Net losses on disposal of fixed assets	(228)	—	(228)
Service charges on deposit accounts	2,255	—	2,255
Other service charges	845	—	845
Trust department income	—	9,824	9,824
Debit card income	4,057	—	4,057
Brokerage commissions	—	1,445	1,445
Other segment income (1)	1,740	—	1,740
Total other operating income	9,299	11,269	20,568
Other operating expenses:			
Salaries and employee benefits	24,761	4,586	29,347
Equipment and occupancy	4,982	95	5,077
Data processing	5,890	353	6,243
FDIC premiums	1,051	—	1,051
Other segment expenses (2)	11,217	470	11,687
Total operating expenses	47,901	5,504	53,405
Income before income taxes and intercompany fees	26,768	5,765	32,533
Intercompany management fee income (expense)	12	(12)	—
Income before income taxes	26,780	5,753	32,533
Income tax expense	6,808	1,210	8,018
Net income	\$ 19,972	\$ 4,543	\$ 24,515
Significant noncash items			
Credit loss expense	\$ 2,743	\$ —	\$ 2,743
Depreciation	2,527	16	2,543
Amortization of intangible assets	119	210	329
Intangible assets	\$ 11,235	\$ 209	\$ 11,444
Total assets	\$ 2,086,898	\$ 555	\$ 2,087,453

- (1) Other segment income includes net gains/(losses) on disposals of fixed assets, bank owned life insurance income, and miscellaneous income.
- (2) Other segment expenses include professional services, contract labor, line rentals, investor relations, contributions, net OREO expense/(income), and miscellaneous expenses.

	December 31, 2024		
	Community	Wealth	
(in thousands)	Banking	Management	Total
Interest income	\$ 91,993	\$ —	\$ 91,993
Interest expense	32,015	—	32,015
Net interest income	59,978	—	59,978
Credit loss expense	2,933	—	2,933
Net interest income after credit loss expense	57,045	—	57,045
Other operating income:			
Net gains on sales of residential mortgages	414	—	414
Service charges on deposit accounts	2,220	—	2,220
Other service charges	887	—	887
Trust department income	—	9,094	9,094
Debit card income	4,065	—	4,065
Brokerage commissions	—	1,449	1,449
Other segment income (1)	1,696	—	1,696
Total other operating income	9,282	10,543	19,825
Other operating expenses:			
Salaries and employee benefits	23,767	4,262	28,029
Equipment and occupancy	5,445	108	5,553
Data processing	5,418	343	5,761
FDIC premiums	1,070	—	1,070
Other segment expenses (2)	8,766	461	9,227
Total operating expenses	44,466	5,174	49,640
Income before income taxes and intercompany fees	21,861	5,369	27,230
Intercompany management fee income (expense)	12	(12)	—
Income before income taxes	21,873	5,357	27,230
Income tax expense	5,533	1,128	6,661
Net income	\$ 16,340	\$ 4,229	\$ 20,569
Significant noncash items			
Credit loss expense	\$ 2,933	\$ —	\$ 2,933
Depreciation	3,285	16	3,301
Amortization of intangible assets	120	210	330
Intangible assets	\$ 11,354	\$ 419	\$ 11,773
Total assets	\$ 1,972,513	\$ 509	\$ 1,973,022

- (1) Other segment income includes net gains/(losses) on disposals of fixed assets, bank owned life insurance income, and miscellaneous income.
- (2) Other segment expenses include professional services, contract labor, line rentals, investor relations, contributions, net OREO expense/(income), and miscellaneous expenses.

21. Parent Company Only Financial Information

Condensed Statements of Financial Condition

(in thousands)	December 31,	
	2025	2024
Assets		
Cash	\$ 6,898	\$ 5,208
Investment securities- available for sale (at fair value)	14,654	13,463
Investment in bank subsidiary	207,810	185,974
Investment in non-bank subsidiaries	929	929
Other assets	11,619	11,323
Total Assets	\$ 241,910	\$ 216,897
Liabilities and Shareholders' Equity		
Accrued interest and other liabilities	\$ 5,657	\$ 5,249
Dividends payable	1,690	1,424
Junior subordinated debt	30,929	30,929
Shareholders' equity	203,634	179,295
Total Liabilities and Shareholders' Equity	\$ 241,910	\$ 216,897

Condensed Statements of Income

(in thousands)	December 31,	
	2025	2024
Income:		
Dividend income from bank subsidiary	\$ 8,009	\$ 6,052
Interest income on investments	1,323	1,529
Other income	190	225
Total other income	1,513	1,754
Total Income	9,522	7,806
Expenses:		
Interest expense	1,874	2,034
Other expenses	615	608
Total Expenses	2,489	2,642
Income before income taxes and equity in undistributed net income of subsidiaries	7,033	5,164
Applicable income tax benefit	148	204
Net income before equity in undistributed net income of subsidiaries	7,181	5,368
Equity in undistributed net income of subsidiaries:		
Bank	17,334	15,201
Net Income	\$ 24,515	\$ 20,569

Condensed Statements of Comprehensive Income

Components of Comprehensive Income (in thousands)	December 31,	
	2025	2024
Net Income	\$ 24,515	\$ 20,569
Unrealized gains/(losses) on AFS securities, net of tax	416	(110)
Unrealized losses on cash flow hedges, net of tax	(299)	(197)
Other comprehensive income/(loss), net of tax	117	(307)
Comprehensive income	\$ 24,632	\$ 20,262

Condensed Statements of Cash Flows

(in thousands)	December 31,	
	2025	2024
Operating Activities		
Net Income	\$ 24,515	\$ 20,569
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed net income of subsidiaries	(17,334)	(15,201)
Increase in other assets	(1,077)	(1,675)
Increase in accrued interest payable and other liabilities	408	253
Stock based compensation	760	475
Net cash provided by operating activities	7,272	4,421
Investing Activities		
Proceeds from principal paydowns on AFS securities	70	163
Net cash provided by investing activities	70	163
Financing Activities		
Proceeds from issuance of common stock	315	290
Repurchase of common stock	—	(4,032)
Cash dividends on common stock	(5,967)	(5,373)
Net cash used in financing activities	(5,652)	(9,115)
Increase/(decrease) in cash and cash equivalents	1,690	(4,531)
Cash and cash equivalents at beginning of year	5,208	9,739
Cash and cash equivalents at end of year	\$ 6,898	\$ 5,208

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Corporation maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Corporation's reports filed under the Exchange Act with the SEC, such as this annual report, is recorded, processed, summarized and reported within the time periods specified in those rules and forms, and that such information is accumulated and communicated to the Corporation's management, including the principal executive officer ("PEO") and the principal financial officer ("PFO"), as appropriate, to allow for timely decisions regarding required disclosure. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Pursuant to Item 308(b) of the SEC's Regulation S-K, this annual report does not include an attestation report of the Corporation's registered public accounting on the Corporation's internal control over financial reporting because the Corporation is not an "accelerated filer" or a "large accelerated filer" as such terms are defined in Rule 12b-2 promulgated under the Exchange Act.

An evaluation of the effectiveness of these disclosure controls and procedures as of December 31, 2025 was carried out under the supervision and with the participation of the Corporation's management, including the PEO and the PFO. Based on that evaluation, the Corporation's management, including the PEO and the PFO, has concluded that the Corporation's disclosure controls and procedures are, in fact, effective at the reasonable assurance level.

During the fourth quarter of 2025, there was no change in the Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, management has performed an evaluation and testing of the Corporation's internal control over financial reporting as of December 31, 2025. Management's report on the Corporation's internal control over financial reporting is included on the following page.

Management's Report on Internal Control Over Financial Reporting

The Board of Directors and Shareholders
First United Corporation

First United Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting. This internal control system was designed to provide reasonable assurance to management and the Board of Directors as to the reliability of First United Corporation's financial reporting and the preparation and presentation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States, as well as to safeguard assets from unauthorized use or disposition.

An internal control system, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements in the financial statements or the unauthorized use or disposition of First United Corporation's assets. Also, projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management assessed the effectiveness of First United Corporation's internal control over financial reporting as of December 31, 2025, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control--Integrated Framework (2013 Framework). Based on this assessment and on the foregoing criteria, management has concluded that, as of December 31, 2025, First United Corporation's internal control over financial reporting is effective.

Dated: March 10, 2026

/s/ Jason B. Rush

Jason B. Rush
President and
Chief Executive Officer
(Principal Executive Officer)

/s/ Tonya K. Sturm

Tonya K. Sturm
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2025, none of First United Corporation's directors or officers informed First United Corporation of their adoption, modification, or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as those terms are defined in Item 408 of the SEC's Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION

Not Applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Corporation has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") applicable to its principal executive officer, principal financial officer, principal accounting officer, or controller, or persons performing similar functions. A copy of the Code of Ethics is available free of charge upon request to Jason B. Rush, President and Chief Executive Officer, First United Bank & Trust, 19 S. Second Street, Oakland, MD 21550. This Code of Ethics is also available on the Investor Relations page of the Corporation's website at https://s205.q4cdn.com/164474296/files/doc_downloads/govdoc/code-of-business-conduct-and-ethics.pdf.

All other information required by this item is incorporated herein by reference to the following sections of the Corporation's definitive Proxy Statement for the 2026 Annual Meeting of Shareholders to be filed with the SEC pursuant to Regulation 14A (the "2026 Proxy Statement"):

- Election of Directors (Proposal 1);
- Qualifications of Director Nominees;
- Executive Officers;
- Delinquent Section 16(a) Reports; and
- Corporate Governance and Related Matters (under the headings "Committees of the Board - Audit Committee" and "Insider Trading Policy").

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the sections of the 2026 Proxy Statement entitled "Director Compensation" and "Executive Compensation" (excluding the information under the subheading "Pay Versus Performance").

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

At the 2018 Annual Meeting of Shareholders, the Corporation's shareholders approved the First United Corporation 2018 Equity Compensation Plan (the "Equity Plan"), which authorizes the grant of stock options, stock appreciation rights, stock awards, dividend equivalents, and other stock-based awards. Subject to the anti-dilution provisions of the Equity Plan, the maximum number of shares for which awards may be granted to any one participant in

any calendar year is 20,000 shares, without regard to whether an award is paid in cash or shares. The following table contains information as of December 31, 2025 regarding securities that are authorized for issuance under the Equity Plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	33,784 (1)	N/A	121,158 (2)
Equity compensation plans not approved by security holders	—	N/A	N/A
Total	33,784	N/A	121,158

(1) As of December 31, 2025, there were time-vesting and performance-vesting restricted stock units (“RSUs”) that had been granted under the Equity Plan. An RSU is a right to receive one share of Common Stock (or the cash value thereof) if certain vesting conditions are satisfied. The amount shown in this column (a) relates to 11,882 time-vesting RSUs and 21,902 performance-vesting RSUs. The amount included for performance-vesting RSUs assumes that those RSUs will vest based on the achievement of the maximum performance levels applicable thereto. That amount would be 7,298 or 14,599, respectively, if only the RSUs’ threshold performance levels or target performance levels were to be achieved.

(2) The amount shown in this column (c) relates to remaining balance available. The amount assumes that the performance-vesting RSUs will vest based on the achievement of the maximum performance levels applicable thereto. That amount would be 128,461 or 135,762, respectively, if only the RSUs’ threshold performance levels or target performance levels were to be achieved.

All other information required by this item is incorporated herein by reference to the section of the 2026 Proxy Statement entitled “Beneficial Ownership of Common Stock by Principal Shareholders and Management”.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the following sections of the 2026 Proxy Statement:

- Certain Relationships and Related Transactions; and
- “Corporate Governance and Related Matters” (under the heading “Director Independence”).

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the section of the 2026 Proxy Statement entitled “Audit Fees and Services”.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1), (2) and (c) Financial Statements.

Report of Independent Registered Public Accounting Firms

Consolidated Statements of Financial Condition as of December 31, 2025 and 2024

Consolidated Statements of Income for the years ended December 31, 2025 and 2024

Consolidated Statements of Comprehensive Income for the years ended December 31, 2025 and 2024

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2025 and 2024

Consolidated Statements of Cash Flows for the years ended December 31, 2025 and 2024

Notes to Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(a)(3) and (b) Exhibits.

The exhibits filed or furnished with this annual report are listed in the following Exhibit Index.

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Exhibit	Description
3.1(i)	<u>Articles of Amendment and Restatement (incorporated by reference to Exhibit 4.1(i) to First United Corporation's Registration Statement on Form S-3D (File No. 333-180514) filed on April 4, 2023)</u>
3.1(ii)	<u>Articles of Amendment to Articles of Amendment and Restatement of First United Corporation (incorporated by reference to Exhibit 3.1 to First United Corporation's Current Report on Form 8-K filed on June 3, 2021)</u>
3.2(i)	<u>Bylaws, as restated on September 25, 2024 (incorporated by reference to Exhibit 3.2 to First United Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024)</u>
3.2(ii)	<u>First Amendment to Bylaws, as restated on September 25, 2024 (incorporated by reference to Exhibit 3.1 to First United Corporation's Current Report on Form 8-K filed on November 14, 2025)</u>
4.1	<u>Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (filed herewith)</u>
4.2	<u>Certificate of Notice, including the Certificate of Designations incorporated therein, relating to the Fixed Rate Cumulative Perpetual Preferred Stock, Series A (incorporated by reference Exhibit 4.1 to First United Corporation's Form 8-K filed on February 2, 2009)</u>
4.3	<u>Sample Stock Certificate for Series A Preferred Stock for the Series A Preferred Stock (incorporated by reference Exhibit 4.3 to First United Corporation's Form 8-K filed on February 2, 2009)</u>
10.1	<u>First United Bank & Trust Amended and Restated Defined Benefit Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on February 1, 2019)</u>
10.2	<u>Form of Amended and Restated Participation Agreement under the Defined Benefit Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.2 to First United Corporation's Current Report on Form 8-K filed on February 1, 2019)</u>
10.3	<u>Form of First Amendment to the Participation Agreement under the First United Bank & Trust Defined Benefit Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on March 28, 2025)</u>
10.4	<u>Form of Endorsement Split Dollar Agreement between First United Bank & Trust and certain executive officers (incorporated by reference to Exhibit 10.3 to First United Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003)</u>
10.5	<u>Amended and Restated First United Corporation Executive and Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on November 24, 2008)</u>
10.6	<u>Form of Amended and Restated First United Corporation Defined Contribution SERP Agreement (incorporated by reference to Exhibit 10.5 to First United Corporation's Annual Report on Form 10-K for the year ended December 31, 2019)</u>
10.7	<u>Amended and Restated First United Corporation Change in Control Severance Plan (incorporated by reference to Exhibit 10.5 to First United Corporation's Current Report on Form 8-K filed on June 23, 2008)</u>
10.8	<u>Amended and Restated Agreement Under the First United Corporation Change in Control Severance Plan, dated as of January 8, 2021 (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on January 8, 2021)</u>
10.9	<u>First United Corporation 2018 Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on May 21, 2019)</u>
10.10	<u>First United Corporation Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on March 16, 2020)</u>
10.11	<u>Appendix A to the First United Corporation Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on May 23, 2024)</u>
10.12	<u>Summary of ROAE Nonequity Incentive Compensation Award Opportunities (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on June 7, 2024)</u>
10.13	<u>First United Corporation Short-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to First United Corporation's Current Report on Form 8-K filed on March 16, 2020)</u>
10.14	<u>Revised Appendix A to the First United Corporation Short-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on March 3, 2025)*</u>

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10.15	<u>Form of Restricted Stock Unit Award Agreement (Performance-Vesting) (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on March 27, 2020, Film No. 20747391)</u>
10.16	<u>Form of Restricted Stock Unit Award Agreement (Time-Vesting) (incorporated by reference to Exhibit 10.2 to First United Corporation's Current Report on Form 8-K filed on March 27, 2020, Film No. 20747391)</u>
10.17	<u>Stock Purchase Agreement, dated as of April 16, 2021, by and between First United Corporation and Driver Opportunity Partners I LP (incorporated by reference to Exhibit 10.1 to First United Corporation's Current Report on Form 8-K filed on April 19, 2021)</u>
10.18	<u>Cooperation and Settlement Agreement, dated as of April 16, 2021, by and between First United Corporation, Driver Opportunity Partners I LP and other parties named therein (incorporated by reference to Exhibit 10.2 to First United Corporation's Current Report on Form 8-K filed on April 19, 2021)</u>
19.1	<u>First United Corporation Insider Trading Policy (incorporated by reference to Exhibit 19.1 to First United Corporation's Annual Report on Form 10-K, as amended, for the year ended December 31, 2023)</u>
21	<u>Subsidiaries (filed herewith)</u>
23.1	<u>Consent of Crowe LLP, Independent Registered Public Accounting Firm (filed herewith)</u>
31.1	<u>Certifications of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith)</u>
31.2	<u>Certifications of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith)</u>
32.1	<u>Certifications pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith)</u>
97	<u>Incentive Compensation Recovery Policy (incorporated by reference to Exhibit 97 to First United Corporation's Annual Report on Form 10-K, as amended, for the year ended December 31, 2023)</u>
101.INS	Inline XBRL Instance Document (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase (filed herewith)
104	The cover page of First United Corporation's Annual Report on Form 10K for the year ended December 31, 2025, formatted in Inline XBRL, included within the Exhibit 101 attachments (filed herewith).

* Portions of Exhibit 10.14, identified in brackets, were excluded because they were immaterial and would have likely caused competitive harm to the Corporation if publicly disclosed. Such information will be disclosed in "Executive Compensation" section of the 2026 Proxy Statement.

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST UNITED CORPORATION

Date: March 10, 2026

By: /s/ Jason B. Rush

Jason B. Rush
President and
Chief Executive Officer
(Principal Executive Officer)

Date: March 10, 2026

By: /s/ Tonya K. Sturm

Tonya K. Sturm,
Executive Vice President and
Chief Financial Officer,
(Principal Financial Officer
and Principal Accounting Officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

/s/ John F. Barr

John F. Barr – Director
March 10, 2026

/s/ Brian R. Boal

Brian R. Boal – Director
March 10, 2026

/s/ Sanu B. Chadha

Sanu B. Chadha – Director
March 10, 2026

/s/ Christy M. DiPietro

Christy M. DiPietro – Director
March 10, 2026

/s/ Kevin R. Hessler

Kevin R. Hessler – Director
March 10, 2026

/s/ Patricia A. Milon

Patricia A. Milon – Director
March 10, 2026

/s/ Beth E. Moran

Beth E. Moran – Director
March 10, 2026

/s/ Carissa L. Rodeheaver

Carissa L. Rodeheaver – Executive Chairman of the
Board
March 10, 2026

/s/ I. Robert Rudy

I. Robert Rudy – Director
March 10, 2026

/s/ H. Andrew Walls, III

H. Andrew Walls, III – Director
March 10, 2026

/s/ Jason B. Rush

Jason B. Rush – President and Chief Executive Officer
(Principal Executive Officer)
March 10, 2026

/s/ Tonya K. Sturm

Tonya K. Sturm – Executive Vice President and
Chief Financial Officer (Principal Financial Officer
and Principal Accounting Officer)
March 10, 2026

Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934

First United Corporation (“we”, “us”, and “our”) is authorized by its charter (“Charter”) to issue up to 27,000,000 shares of capital stock. Of these shares, 25,000,000 shares are classified as common stock, par value \$.01 per share, and 2,000,000 shares are classified as preferred stock, having no par value per share, which may be issued in one or more series having such voting powers, designations, preferences and other rights, qualifications, limitations and restrictions as may be fixed by our Board of Directors from time to time. The Board of Directors has designated 30,000 shares of our preferred stock as Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the “Series A Preferred Stock”).

In addition to the power to issue shares of our authorized preferred stock in one or more series as discussed above, our Charter permits our Board of Directors, without general stockholder approval but subject to the rights of any preferred stock, to classify and reclassify authorized but unissued shares of capital stock of any class or series by setting or changing in any one or more respects the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of the shares of stock.

As of February 27, 2026, there were 6,501,382 shares of common stock issued and outstanding and no issued or outstanding shares of our preferred stock.

Our common stock is the only class of equity securities that we have registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The common stock is traded on the Nasdaq Stock Market under the trading symbol “FUNC”.

The following is a summary of the general terms of our capital stock. This summary does not purport to be complete in all respects. The full terms of the capital stock are set forth in our Charter and our Bylaws and are qualified by applicable Maryland laws, including the Maryland General Corporation Law, or the “MGCL”.

Common Stock***General***

The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Holders of shares of common stock are not entitled to cumulative voting rights in the election of directors. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratable dividends that are declared by our Board of Directors out of funds legally available for such a purpose. Holders of common stock have no preemptive rights and have no rights to convert their common stock into any other securities. The common stock is not redeemable. All of the outstanding shares of our common stock are fully paid and non-assessable.

The transfer agent for the common stock is Computershare Trust Company, N.A.

Dividends and Other Distributions

The declaration of dividends on the common stock is at the discretion of the Board of Directors. We are subject to various bank regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. Our ability to pay dividends to holders of the common stock is largely dependent upon our receipt of dividends from First United Bank & Trust, a Maryland-chartered commercial bank with trust powers. Both federal and state laws impose restrictions on the ability of banks to pay dividends. Federal law prohibits the payment of a dividend by an insured depository institution if the depository institution is considered “undercapitalized” or if the payment of the dividend would make the institution “undercapitalized”. Maryland state-chartered banks may pay dividends only out of undivided profits or, with the

prior approval of the Maryland Office of Financial Regulation, from surplus in excess of 100% of required capital stock. If, however, the surplus of a Maryland bank is less than 100% of its required capital stock, then cash dividends may not be paid in excess of 90% of net earnings. In addition to these specific restrictions, bank regulatory agencies have the ability to prohibit a proposed dividend by a financial institution that would otherwise be permitted under applicable law if the regulatory body determines that the payment of the dividend would constitute an unsafe or unsound banking practice.

As a general corporate law matter, the MGCL prohibits us from paying dividends on our capital stock, including the common stock, unless, after giving effect to a proposed dividend, (i) we will be able to pay our debts as they come due in the normal course of business and (ii) our total assets will be greater than our total liabilities plus, unless our Charter permits otherwise, the amount that would be needed, if we were to be dissolved at the time of the dividend, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights on dissolution are superior to those receiving the dividend. Notwithstanding our inability to pay dividends pursuant to item (ii) above, we may nevertheless pay dividends out of (a) our net earnings for the fiscal year in which the distribution is made, (b) our net earnings for the preceding fiscal year, or (c) the sum of our net earnings for the preceding eight fiscal quarters.

The terms of the Series A Preferred Stock entitle the holders thereof to receive if, as and when declared by our Board of Directors, out of assets legally available for payment, cumulative cash dividends at a rate per annum of 9% per share on a liquidation preference of \$1,000 per share of Series A Preferred Stock with respect to each dividend period. Dividends on the Series A Preferred Stock are payable quarterly in arrears on each February 15, May 15, August 15 and November 15. So long as any shares of Series A Preferred Stock remain outstanding, unless all accrued and unpaid dividends for all prior dividend periods have been paid or are contemporaneously declared and paid in full, no dividend can be paid or declared on our common stock, other than a dividend payable solely in common stock. We and our subsidiaries also may not purchase, redeem or otherwise acquire for consideration any shares of our common stock unless we have paid in full all accrued dividends on the Series A Preferred Stock for all prior dividend periods, other than:

- purchases, redemptions or other acquisitions of our common stock in connection with the administration of our employee benefit plans in the ordinary course of business and consistent with past practice (including purchases pursuant to a publicly announced repurchase plan to offset the increase in diluted shares outstanding resulting from the grant, vesting or exercise of equity-based compensation);
 - purchases or other acquisitions by broker-dealer subsidiaries of First United solely for the purpose of market-making, stabilization or customer facilitation transactions in common stock in the ordinary course of its business;
 - purchases or other acquisitions by broker-dealer subsidiaries of First United for resale pursuant to an offering by First United of its stock that is underwritten by the related broker-dealer subsidiary;
 - any dividends or distributions of rights or capital stock that is junior to the Series A Preferred Stock in connection with any shareholders' rights plan or repurchases of rights pursuant to any shareholders' rights plan;
 - acquisition of record ownership of any capital stock that is junior to or on par with the Series A Preferred Stock for the beneficial ownership of any other person who is not First United or one of its subsidiaries, including as trustee or custodian; and
 - the exchange or conversion of capital stock that is junior to the Series A Preferred Stock for or into other junior stock or of stock that is on par with the Series A Preferred Stock for or into other
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parity stock or junior stock but only to the extent that such acquisition is required pursuant to binding contractual agreements entered into before January 30, 2009 or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for common stock.

In addition to the limitations imposed by the terms of the Series A Preferred Stock, the terms of our outstanding debentures permit us to defer payments of the interest thereon for up to 20 consecutive quarterly periods. Should we make such a deferral election, we would be prohibited from paying dividends or distributions on, or from repurchasing, redeeming or otherwise acquiring any shares of our capital stock, including the Series A Preferred Stock and the common stock.

Rights Upon Liquidation

In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and liquidation preferences, if any, on any outstanding shares of preferred stock. The terms of the Series A Preferred Stock provide that, in such events, holders of Series A Preferred Stock will be entitled to receive an amount per share, referred to as the total liquidation amount, equal to the fixed liquidation preference of \$1,000 per share, plus any accrued and unpaid dividends, whether or not declared, to the date of payment. Holders of the Series A Preferred Stock will be entitled to receive the total liquidation amount out of our assets that are available for distribution to shareholders, after payment or provision for payment of our debts and other liabilities but before any distribution of assets is made to holders of our common stock.

Anti-Takeover Provisions under Maryland Law, Our Charter and Our Bylaws

The provisions of Maryland law and our Charter and Bylaws we summarize below may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider in his or her best interest, including those attempts that might result in a premium over the market price for the common stock.

Business Combinations under Maryland Law. The Maryland Business Combination Act generally prohibits corporations from being involved in any “business combination” (defined as a variety of transactions, including a merger, consolidation, share exchange, asset transfer or issuance or reclassification of equity securities) with any “interested shareholder” for a period of five years following the most recent date on which the interested shareholder became an interested shareholder. An interested shareholder is defined generally as a person who is the beneficial owner of 10% or more of the voting power of the outstanding voting stock of the corporation after the date on which the corporation had 100 or more beneficial owners of its stock or who is an affiliate or associate of the corporation and was the beneficial owner, directly or indirectly, of 10% percent or more of the voting power of the then outstanding stock of the corporation at any time within the two-year period immediately prior to the date in question and after the date on which the corporation had 100 or more beneficial owners of its stock.

A business combination that is not prohibited must be recommended by the Board of Directors and approved by the affirmative vote of at least 80% of the votes entitled to be cast by outstanding shares of voting stock of the corporation, voting together as a single voting group and two-thirds of the votes entitled to be cast by holders of voting stock other than voting stock held by the interested shareholder who will (or whose affiliate will) be a party to the business combination or by an affiliate or associate of the interested shareholder, voting together as a single voting group, unless, among other things, the corporation’s shareholders receive a minimum price, as defined in the Maryland Business Combination Act for their shares, in cash or in the same form as paid by the interested shareholder for its shares. These provisions will not apply if the Board of Directors has exempted the transaction in question or the interested shareholder prior to the time that the interested shareholder became an interested shareholder. In addition, the Board of Directors may adopt a resolution approving or exempting specific business combinations, business combinations generally, or generally by type, as to specifically identified or unidentified existing or future shareholders or their affiliates from the business combination provisions of the Maryland Business Combination Act.

Control Share Acquisitions. The Maryland Control Share Acquisition Act generally provides that “control shares” of a corporation acquired in a “control share acquisition” have no voting rights except to the extent approved by the shareholders at a meeting by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares. “Control shares” are shares of stock that, if aggregated with all other shares of stock of the corporation previously acquired by a person or in respect of which that person is entitled to exercise or direct the exercise of voting power, except solely by virtue of a revocable proxy, entitle that person, directly or indirectly, to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors within any of the following ranges of voting power: one-tenth or more, but less than one-third of all voting power; one-third or more, but less than a majority of all voting power or a majority or more of all voting power. “Control share acquisition” means the acquisition, directly or indirectly, of control shares, subject to certain exceptions. If voting rights or control shares acquired in a control share acquisition are not approved at a shareholders’ meeting, then, subject to certain conditions, the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a shareholders’ meeting and the acquiror becomes entitled to vote a majority of the shares of stock entitled to vote, all other shareholders may exercise appraisal rights.

Preference Stock Authorization. The Charter gives our Board of Directors the authority to, without the approval of the holders of our common stock, issue our authorized preferred stock in one or more series and to classify and reclassify any class or series of our authorized but unissued capital stock. A series of preferred stock and any other shares of capital stock that the Board classifies or reclassifies may possess rights superior to the rights of the holders of our common stock. As a result, this “blank check” stock, while not intended as a defensive measure against takeovers, could be issued quickly and easily, could adversely affect the rights of holders of common stock and could be issued with terms calculated to delay or prevent a change of control of the Company or make removal of management more difficult.

Advance Notice Procedure for Director Nominations by Shareholders. Our Bylaws allow shareholders to submit director nominations. For nominations to properly come before the meeting, however, the nominating shareholder must have given timely written notice of the nomination to either our Chairman of the Board or the President. To be timely, a nomination must be given not less than 150 days nor more than 180 days prior to the date of the meeting of shareholders called for the election of directors which, for purposes of this requirement, is deemed to be on the same day and month as the annual meeting of shareholders for the preceding year. The notice must contain the following information to the extent known by the notifying shareholder:

- the name and address of each proposed nominee;
 - the principal occupation of each proposed nominee;
 - the number of shares of our capital stock owned by each proposed nominee;
 - the name and residence address of the notifying shareholder;
 - the number of shares of our capital stock owned by the notifying shareholder;
 - the consent in writing of the proposed nominee as to the proposed nominee’s name being placed in nomination for director; and
 - all information relating to the proposed nominee that would be required to be disclosed by Regulation 14A under the Exchange Act, assuming such provisions would be applicable to the solicitation of proxies for the proposed nominee.
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Direct Subsidiary of First United Corporation

First United Bank & Trust, a Maryland corporation (the “Bank”)
First United Statutory Trust I, a Connecticut statutory business trust
First United Statutory Trust II, a Connecticut statutory business trust

Direct Subsidiary of the Bank

OakFirst Loan Center, LLC, a Maryland limited liability company
OakFirst Loan Center, Inc., a West Virginia corporation
Liberty Mews Limited Partnership, a Maryland limited partnership
MCC FUBT Fund, LLC an Ohio limited liability company
First OREO Trust, a Maryland statutory trust

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-225133 on Form S-8 of First United Corporation of our report dated March 10, 2026, relating to the consolidated financial statements, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Franklin, Tennessee

March 10, 2026

Certifications of Principal Executive Officer
Pursuant to Securities Exchange Act Rules 13a-1 and 15d-14
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jason B. Rush, certify that:

1. I have reviewed this annual report on Form 10-K of First United Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2026

/s/ Jason B. Rush

Jason B. Rush
President and
Chief Executive Officer
(Principal Executive Officer)

Certifications of the Principal Financial Officer
Pursuant to Securities Exchange Act Rules 13a-1 and 15d-14
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tonya K. Sturm, certify that:

1. I have reviewed this annual report on Form 10-K of First United Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2026

/s/ Tonya K. Sturm

Tonya K. Sturm,
Executive Vice President,
Chief Financial Officer
(Principal Financial Officer)

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to, and for purposes only of, 18 U.S.C. § 1350, each of the undersigned hereby certifies that (i) the Annual Report of First United Corporation on Form 10-K for the year ended December 31, 2025 filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of First United Corporation.

Date: March 10, 2026

/s/ Jason B. Rush

Jason B. Rush,
President and
Chief Executive Officer
(Principal Executive Officer)

Date: March 10, 2026

/s/ Tonya K. Sturm

Tonya K. Sturm,
Executive Vice President,
Chief Financial Officer
(Principal Financial Officer)
