

THE COMMUNITY FINANCIAL CORPORATION BOARD RISK OVERSIGHT COMMITTEE CHARTER

This Charter sets forth the composition, authority, duties and responsibilities of the Board Risk Oversight Committee (the “Committee”) of the Board of Directors of The Community Financial Corporation (the “Company”). The Committee also serves as the Asset Liability Committee for Community Bank of the Chesapeake (the “Bank”).

I. Purpose

The Committee of the Board of Directors of the Company assists the Board in its oversight responsibilities with day to day authority and decision making provided by Executive Management. The Committee focuses specifically on the Company’s enterprise risk management, including the significant policies, procedures and practices employed to manage credit risk, market risk, interest rate risk, liability and liquidity risk, operational risk and reputation risk, and by providing recommendations to the Board on strategic guidance to management with respect to the assumption, management and mitigation of these risks.

II. Organization

The Committee shall consist of three or more directors, a majority of whom shall satisfy the definition of independent director as defined in any qualitative listing requirements for the Nasdaq Stock Market. Committee members shall be elected by the Board on an annual basis. Members shall serve until their successors are appointed. The Committee’s chairperson shall be designated by the full Board or, if it does not do so, the Committee members shall elect a chairperson by vote of a majority of the full Committee.

The Committee may form and delegate authority to subcommittees when appropriate.

III. Structure and Meetings

The Committee shall meet at least four times each year, or more frequently as circumstances dictate. The chairperson of the Committee will preside at each meeting and, in consultation with the other members of the Committee and management, will set the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The chairperson of the Committee shall ensure that the agenda for each meeting is circulated to each Committee member in advance of the meeting. The Committee shall keep written minutes of all meetings.

The majority of Committee members are required to be in attendance in person, video conference or telephone at each meeting for a quorum to be present. The Company's Chief Executive Officer, President, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer and Chief Banking Officers , and such other members of the Company's management as the Committee may deem desirable or appropriate, shall be invited to attend all meetings of the Committee, unless the chairperson determines that the meeting shall be held with only members of the Committee present.

IV. Duties and Responsibilities

The following are the duties and responsibilities of the Committee:

- Review and make recommendations to the Board with respect to approval of the Company's key risk policies and procedures on the establishment of risk limits and receive reports on the Company's adherence to significant limits.
- Receive reports from and review with management the categories of risk the Company faces, including capital, credit, market/earnings, interest rates, liquidity, compliance /regulatory, reputation/strategic and operational risk, the exposures in each category, significant concentrations within those risk categories, the metrics used to monitor the exposures and management's views on the acceptable and appropriate levels of those risk exposures.
- Review and make recommendations to the Board with respect to approval of the Company's credit, market, interest rate, liquidity, operational and reputation risk management frameworks, including significant policies, processes and systems that management uses to manage risk exposures, as well as risk measurement methodologies and approaches to stress testing.
- Review and oversee the Bank's Interest Rate Risk and Asset, Liability and Liquidity Management Policies. The committee is responsible to review the policies with Executive Management and to recommend to the Board approval of the policies. These policies will include Board policy limits for changes in net interest income and net portfolio value under various interest rate shock scenarios; liquidity stress testing scenarios; wholesale funding limits for deposits and borrowings; a contingency Funding Plan with metrics that allow for monthly monitoring and will include authoritative regulatory guidance.

- Oversight responsibility for the Bank's Investment Policy. The Committee is responsible to review the policy with Executive Management and to recommend the Board approval of the policy.
- Review and make recommendations to the Board with respect to approval of target ranges for capital based on consideration of the Company's activities and appetite for risk.
- Evaluate the adequacy of and make recommendations to the Board with respect to approval of the risk management function.
- Receive information from the Chief Risk Officer, the Chief Financial Officer, the others in management, internal auditors, independent auditors, regulators and outside experts as appropriate regarding matters related to risk management and the risk management function.
- Review and make recommendations to the Board with respect to approval of the Company's disaster recovery and business continuity plans.
- Perform other activities related to this Charter as requested by the Board.
- Monitor the liquidity position of the Bank, the interest rate risk profile and the sensitivity of the Bank's earnings under varying interest rate scenarios and monitor trends in regulation and the economy to assess impact on the Bank's asset liability profile.
- Determine with Executive Management when independent third-party model and interest rate risk validations should be performed.
- Recommend actions and measures to the Board to mitigate interest rate and liquidity risks.

V. Annual Assessment of Adequacy of Charter

The Committee shall on an annual basis review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

VI. Committee Resources

The Committee shall have the authority to obtain advice and seek assistance from internal or external legal or other advisors. The Committee shall have available to it such support personnel, including management staff, outside auditors, attorneys and consultants as it deems necessary to discharge its responsibilities. The Committee shall have the power to conduct or authorize investigations into any matter within its scope of responsibilities.

Revised and Approved by the Committee on November_ 2020