

**THE COMMUNITY FINANCIAL CORPORATION
AND
COMMUNITY BANK OF THE CHESAPEAKE
COMPENSATION COMMITTEE CHARTER**

I. PURPOSE

The Compensation Committee (the "Committee") of The Community Financial Corporation (the "Corporation") and Community Bank of the Chesapeake (the "Bank") is responsible for human resource policies, salaries and employee benefits (including, but not limited to, health and welfare benefits and the Bank's retirement plans), incentive compensation, executive development and director compensation. The Committee also deals with policies relating to nondiscriminatory employment practices, including those related to hiring, compensation and promotions.

This Charter is intended as a component of the flexible framework within which the Board, assisted by its committees, directs the affairs of the Corporation and the Bank. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Bank's Charter and Bylaws and the Corporation's Certificate of Incorporation and Bylaws, it is not intended to establish by its own force any legally binding obligations.

II. COMPOSITION

The Committee shall consist of no fewer than three members, each of whom shall be independent as defined by applicable NASDAQ Listing Standards and any applicable Securities and Exchange Commission rules and regulations. The Boards of Directors of the Bank and the Corporation (collectively referred to herein as the "Board") shall appoint the members and Chair of the Committee upon consideration of the recommendation of the Company's Governance Committee. The Board may, at any time, change the membership of the Committee and fill vacancies, subject to such new members satisfying the above requirements.

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

III. MEETINGS

The Committee shall meet at least annually, or more frequently as circumstances dictate. The Committee Chairperson will preside at each meeting and, in consultation with the other members of the Committee, 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 maintain minutes of its meetings and records relating to those meetings.

IV. RESPONSIBILITIES AND DUTIES

The principal responsibilities of the Committee are:

- A. **Reviewing and monitoring human resources policies.** The Committee will review human resource policies for the Corporation and the Bank and will monitor the Corporation and the Bank's adherence to the policies.
- B. **Appraising the performance of the Chief Executive Officer.** The Committee will conduct a performance evaluation of the CEO each year. The Committee will meet with the CEO to discuss his or her strengths, weaknesses, and review goals set at the beginning of the current year in the strategic plan

to guide performance toward achieving goals in the current year's strategic plan. The Committee will recommend to the Board of Directors the annual salary, bonus, stock options, and other benefits, direct and indirect, of the CEO. In making its recommendation, the Committee will consider:

- the performance of the Corporation and the Bank;
- shareholder return;
- the level of salary, bonus, stock options, and other benefits, direct and indirect, of the CEO relative to CEOs at comparable companies; and
- the level of salary, bonus, stock options, and other benefits, direct and indirect, given to the CEO in recent years.

The Committee will make recommendations to the Board of Directors regarding the extension of the employment agreements and change in control agreements of the CEO and other executive officers. The CEO shall not be present during voting or deliberations with regard to his or her compensation.

- C. **Director Compensation.** The Committee will review the form and amount of compensation for directors on an annual basis to determine if it is commensurate with the directors' duties and responsibilities. The Committee will make recommendations to the full Board as to any changes in director compensation in order to ensure the Bank and Corporation retain and attract the highest quality individuals.
- D. **Oversight of executive compensation.** The Committee will establish annually subjective and objective criteria as the basis for the other executive officers' compensation, consider the other executive officers' performance in light of those criteria and determine the other executive officers' compensation based on that evaluation. The Committee shall consult with the CEO with respect to the performance and compensation of other executive officers. In no event shall the CEO or any other officer be present when the Committee makes recommendations and/or decisions or holds deliberations regarding the compensation of that officer.

The Committee will review on an annual basis the Corporation's and the Bank's executive compensation programs to determine that they are appropriate. The Committee will work to maintain an appropriate balance between short-term pay and long-term incentives to ensure the Bank and Corporation retain and attract the highest quality individuals. The Committee will also be responsible for reviewing and approving employment agreements, severance arrangements and change in control agreements relating to the Corporation's executives.

The Committee will approve grants of stock options, restricted stock, performance shares, stock appreciation rights and other equity-based incentives under the Corporation's equity-based compensation plans to the extent provided under the plans.

- E. **Oversight of staff compensation programs.** The Committee will review on an annual basis the Corporation's and the Bank's salary administration program to determine that it is appropriate.
- F. **Oversight of staff benefit programs.** The Committee will review the Corporation's and the Bank's benefit programs to determine that they are appropriate. The Committee will review recommendations from the CEO, Chief Operating Officer and Director of Human Resources concerning significant benefit program adjustments.
- G. **Oversight of 401(k) Plan and other tax-qualified plans maintained by the Bank (including the Bank's employee stock ownership plan).** The Committee is responsible for appointing the trustees of the Bank's 401(k) Plan (and any other tax-qualified plans maintained by the Bank from time to time), as well as engaging the necessary and appropriate service providers to operate the plans in compliance with applicable laws. The Committee may delegate the ministerial tasks related to the 401(k) Plan, or any other tax-qualified plan maintained by the Bank, to the Director of Human Resources.

Oversight of tax-qualified plans, including the Bank's employee stock ownership plan and 401(k) Plan, includes, but is not limited to, the following:

- (i) Establishing and maintaining the Investment Policy for the 401(k) Plan.
- (ii) Selecting investment options.
- (iii) Periodically evaluating the 401(k) Plan's investment performance and recommending investment option changes.
- (iv) Providing 401(k) Plan participant investment education and communications.
- (v) Reviewing the 401(k) Plan annually and adopting any necessary amendments or restatements to the plan document.
- (vi) Confirming and maintaining timely remittance of participant contributions in accordance with Department of Labor regulations.
- (vii) Reporting to the Board, at least annually, on all significant issues affecting the 401(k) plan.
- (viii) Ensuring compliance with federal regulations governing tax-qualified plans, including 404(c) compliance.
- (ix) Obtaining an appraisal of the Corporation common stock (if applicable).
- (x) Providing oversight to ensure all other administrative functions of the tax-qualified plans are performed in an accurate and timely manner.

H. **Oversight of executive development.** The Committee will review the development of key executives with the CEO and other executives as needed. .

V. EVALUATIONS

Annually, the Committee shall review its own independence, performance, reassess the adequacy of this Charter and recommend any proposed changes to the Charter to the Board for approval. The Committee shall annually conduct a risk assessment of the Corporation's and Bank's compensation policies and practices.

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 the sole authority to retain and terminate any compensation consultant used to assist the Committee in evaluating executive compensation, including sole authority to approve such consultant's fees and other retention terms.

Adopted by the Committee on February 4, 2021

Approved by the Board of Directors February 25, 2021