



CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of Howard Bank (the “Company”) has adopted these Corporate Governance Guidelines in furtherance of its commitment to fulfill its responsibilities to the Company’s shareholders, to comply with all applicable rules and regulations, and to govern the Company using sound business practices.

I. Board

A. Board Size. The Board shall have between 5 and 25 members in accordance with the Company’s Charter and Bylaws. The Company’s Governance, Nominating and Compensation Committee (the “Governance Committee”) will regularly assess the size of the Board to determine the optimum number of Directors necessary to achieve the Company’s goals. The number of Directors may be changed from time to time in accordance with the Company’s Charter and Bylaws.

B. Director Qualifications. The Board seeks members who have demonstrated leadership within the community, who will bring honesty and integrity to their position, and who have the experience and expertise necessary to enable them to effectively contribute to the direction and oversight of management of the Company.

C. Term Limits. The Board has not established term limits for its members. The Governance Committee will evaluate each member’s performance prior to the end of his or her term as part of the nomination process.

II. Director Responsibilities

A. General Duties. The Board shall govern the affairs of the Company. Each Director on the Board shall act in good faith and in what he or she reasonably believes are the best interests of the Company, including its customers, shareholders and employees. When making decisions, Directors may rely on reports from sources such as committees of the Board, officers of the Company and outside advisors. The Company will maintain director’s and officer’s liability insurance and will indemnify members of the Board to the fullest extent permitted by Maryland law.

B. Board Meetings. The Board shall hold regular meetings not less often than bi-monthly. The Board may hold special meetings when necessary. Directors are expected to attend all Board meetings and all meetings of Board committees of which they are members. Board members shall spend the time necessary to adequately prepare for the discussions scheduled for each meeting. It is understood that occasionally a Board member may have a conflicting business or personal obligation or commitment that prevents attendance at a Board or committee meeting.

C. Agenda. The Chairman shall establish the agenda for each Board meeting. Any member of the Board may request of the Chairman that a particular item appear on the agenda and the Chairman shall give due consideration to such request. Directors may raise subjects at any Board meeting that are not on the agenda for that meeting.

D. Distribution of Materials. Reports, information and other similar data relevant to the subject matter to be discussed at Board meetings shall be distributed, to the extent practicable, sufficiently in advance of the meeting so that Board members may familiarize themselves with the material prior to the meeting.

E. Stock Ownership. Members of the Board are encouraged to own a meaningful number of shares of the Company. Each Director shall, at all times while serving on the Board, own the minimum shares of the Company required by applicable law.

F. Conflict of Interest. Directors shall avoid any actions or positions that conflict with the interests of the Company. When presented with an opportunity from which the Company may be able to benefit, Directors shall first present the opportunity to the Board before taking advantage of the opportunity for themselves or on behalf of another entity. Directors shall not participate in a discussion or vote at a Board meeting if such participation creates a conflict of interest or if the Director believes that his or her participation would create a conflict of interest.

III. Board Committees

A. Committees. The Board currently has the following standing committees:

Executive Committee (serves as Board Loan Committee)
Audit Committee
Community Development Committee
Governance, Nominating and Compensation Committee

The Board may establish other committees from time to time when the Board determines that such additional committees would aid the governance of the Company. The addition of new committees shall be consistent with the Company's Bylaws as well as applicable laws and regulations.

B. Committee Charters. Each standing committee shall have its own written charter which includes its purpose, responsibilities and authority.

C. Appointment. The Board shall appoint all members and designate the Chairs of the Board's committees. When appointing members, the Board shall consider the recommendation of the Governance Committee. The Board shall select the members of each committee based upon the members' expertise and interest in the subject area of the particular committee and upon the needs of the Company. The Chair of each standing committee should be a member of the Executive Committee.

D. Meeting Schedules. The Chair of each committee shall schedule regular committee meetings and special committee meetings as necessary. Each Chair shall consult with the Chairman of the Board and the Chief Executive Officer to determine an appropriate number of regular committee meetings to be held.

E. Agendas. The Chair of each committee, in consultation with the Chairman of the Board and the Chief Executive Officer, shall determine the agenda for each committee meeting. Any committee member may request that an item be placed on a committee meeting agenda.

IV. Directors' Relationship with Management and Employees

A. Access. The Board should have unrestricted access to the management and employees of the Company which, in general, should be exercised through the appropriate committees and committee chairs. If the Board deems it appropriate, it shall invite members of management or employees to attend Board or committee meetings. When appropriate, the Board shall request that such persons present information regarding the operations of the Company.

B. Internal Reporting. The Board shall keep confidential and shall sufficiently investigate all employee complaints or concerns regarding accounting and auditing matters or other matters relating to the conduct of any employee or member of the Company's management and shall implement a policy with respect to such matters.

C. Whistleblower Protection. An employee of the Company who in good faith reports a violation of any Company rule or federal or state law or regulation shall not be demoted, suspended, threatened, harassed or otherwise retaliated against by any employee of the Company or member of the Board as a result of the employee's report of the potential violation.

V. Directors—Miscellaneous Policies

A. Director Compensation. The Board shall determine the compensation and benefits of the Directors after receiving recommendations from the Governance Committee. At least every two years or more frequently if deemed necessary by the Board, the Governance Committee shall conduct a review of Director compensation and benefits, including a review of compensation received by directors of the Company's competitors and other similarly situated companies.

B. Director Orientation and Education. The Company shall provide each new Director with an orientation program to familiarize the new Director with the Company's business operations, strategic plan, financial and accounting issues and any other information relevant to the Director's position. In general, the orientation program will include the distribution of written materials as well as presentations from members of senior management. From time to time Directors shall be provided with continuing

education which should include presentations by officers, outside advisors, regulators or other individuals who can contribute to the Directors' continuing education.

C. Evaluation of the Board. The Governance Committee shall coordinate an annual evaluation process by the Directors of the Board's performance, including evaluation of individual Directors. The Governance Committee shall establish the criteria to be used in evaluating the Board. The evaluation process shall include comments received from each member of the Board. The Board shall review the annual evaluations and discuss methods that can be used to improve the overall functioning of the Board.

D. Committee Evaluations. Each standing committee, led by its Chair, shall annually conduct a self-evaluation and report the results of the evaluation to the Governance Committee, which report shall be part of the annual evaluation of the Board's performance. The evaluation shall focus on whether the committee has discharged its responsibilities, whether the committee has any weaknesses that should be addressed and whether the committee complied with its charter.

E. Transactions With Directors. Unless prohibited by Company policy or applicable laws or regulations, transactions between the Company and a Director or a Director's family member are permitted as long as such transactions occur in the ordinary course of business and on substantially the same terms that would apply to a comparable transaction with a non-affiliate.

F. Communication. Management speaks on behalf of the Company, and the Board should communicate through management with outside parties, including shareholders, business journalists, equity analysts, rating agencies, and government regulators (except when otherwise provided by applicable law or regulation). Shareholders must be able to raise issues directly with the Board, and the Board shall provide the means and procedure to facilitate this.

VI. Chairman, Chief Executive Officer and Lead Independent Director

A. Separation of Positions. The positions of Chairman, President and Chief Executive Officer may be filled by the same person. The Board shall determine whether it is in the best interests of the Company for the same individual to hold more than one of these three positions.

B. CEO Evaluation. The Governance Committee and the Board shall evaluate the performance of the President/CEO on an annual basis and report the results of this evaluation to the Board.

C. Succession Planning. The Governance Committee shall make an annual report to the Board regarding the succession plan for the President/CEO. The CEO shall participate in the succession planning process.

D. Lead Independent Director. During such periods that the Chairman of the Board is a member of management of the Company, the Board shall appoint a Lead Independent Director. The Board shall establish Terms of Reference for the position of Lead Independent Director that shall include the qualifications for and the responsibilities and authority of the Lead Independent Director.

VII. Amendments

The Governance Committee will review these Corporate Governance Guidelines at least once a year and will recommend to the Board such changes as it deems necessary or appropriate.