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## **FNCB BANCORP, INC. COMPENSATION COMMITTEE CHARTER**

### **PURPOSE**

The purpose of the Compensation Committee (“Committee”) of the Board of Directors (“Board”) of FNCB Bancorp, Inc., and its subsidiaries (“Company”) shall be:

- To discharge [or assist the Board in discharging] the Board’s responsibilities relating to the compensation of the Company’s executive officers, including the Chief Executive Officer. The Committee has overall responsibility for evaluating and approving the Company’s compensation plans, policies and programs;
- To insure management compensation is at competitive levels for Executive Officers;
- To review and discuss the annual report on executive compensation for inclusion in the Company’s proxy statement;
- Insure sound compensation programs that:
  - Provide employees incentives that do not encourage excessive risk-taking beyond the organization’s ability to effectively identify and manage risk;
  - Are compatible with effective controls and risk management, and;
  - Are supported by strong corporate governance, including active and effective oversight by the organization’s board of directors.

### **COMPOSITION OF COMMITTEE**

The Committee shall be composed of three or more members of the Board, each of whom is determined by the Board to: (a) be independent as defined by the listing standards of The NASDAQ Stock Market; and (b) qualify as “non-employee directors” as defined in the rules promulgated under Section 16 of the Securities Exchange Act of 1934. The members of the Committee and the Committee Chair shall be appointed, and may be replaced, by the Board of Directors. Committee members shall serve until they are replaced, they resign, or their successors are duly elected and qualified.

### **MEETINGS AND PROCEDURES**

The Committee shall meet as often as the Committee considers appropriate, but no fewer than two times annually. The Chair of the Committee designated by the Board of Directors (or in his or her absence, a member designated by the majority of members of the Committee present at the meeting) will preside at each meeting of the Committee and in consultation with the other members of the Committee, shall set the agenda of items to be addressed at each meeting, and will report the highlights of, and

decisions made at, Committee meetings to the full Board at the Board's next regular meeting. The CEO may not be present during voting or deliberations on the CEO's compensation; however, he can be present for other executive officer compensation discussions.

The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's bylaws that are applicable to the Committee.

The Committee may, at its discretion, include in its meetings members of the Company's management, or any other person whose presence the Committee believes to be desirable and appropriate. Notwithstanding the foregoing, the Committee may exclude from its meetings any person it deems appropriate, including but not limited to, any non-management director who is not a member of the Committee.

The Committee will review and assess the adequacy of the Committee charter annually, requesting Board approval for proposed changes, and appropriate disclosure as may be required by law or regulation.

## **OUTSIDE ADVISORS**

The Committee shall have the authority to retain and terminate any compensation consulting firm used to assist it in the evaluation of CEO or executive officer compensation, including the authority to approve the firm's fees and any other terms of retention. In addition, the Committee shall have the authority to retain, and to approve the fee payable to outside counsel and any other advisors as the Committee may deem appropriate in its sole discretion.

## **DUTIES AND RESPONSIBILITIES**

The Committee shall have the following duties and responsibilities:

1. Review and approve annual corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and have sole authority to determine the CEO's compensation level based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar awards to CEOs at comparable companies, and the awards given to the Company's CEO in past years.
2. Establish overall corporate philosophy and design long-term strategies for executive compensation plans, such as retention, severance, incentive and benefit policies and programs of the Company and its subsidiaries, including executive salary structure and short-term and long-term incentive programs.
3. Review and approve promotions and new hires to the position of Executive Officers of the company and its subsidiaries.

4. Review and approve all incentive plans, including those for executive officers; and evaluate, review and discuss on an annual basis any risks posed by such incentive plans and how to limit risks.
5. Make recommendations to the Board with respect to the compensation for Directors (including retainer, committee and committee chair fees, stock options and other similar items, as appropriate).
6. Establish and approve policy on employment agreements, severance arrangements and change in control agreements and provisions as well as any special supplemental benefits for CEO and Executive Officers.
7. “Oversees plans and initiatives are in place to develop successors for key executive positions.”
8. Review and approve the annual report on executive officer compensation for inclusion in the Company’s proxy statement.
9. Approve the appointment, promotion, and continuing service of those with executive officer status of the Company and its subsidiaries.
10. Maintain minutes of Committee meetings and records relating to those meetings and Committee activities.
11. Undertake from time to time additional activities within the scope of the Committee’s charter as it may deem appropriate.

## **DELEGATION OF DUTIES**

In fulfilling its responsibilities, the Committee shall be entitled to delegate responsibility to subcommittees of the Committee as necessary or appropriate.