

## **FNBH BANCORP, INC.**

### **CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

This Charter governs the organization and operation of the Compensation Committee of FNBH Bancorp, Inc. and has been approved by its Board of Directors (the "Board"). All amendments to this Charter shall be approved by the Board. When used in this Charter, "Company" shall collectively refer to FNBH Bancorp, Inc. and its subsidiaries.

#### **I. Purpose**

The primary function of the Compensation Committee is to assist the Board by overseeing matters relating to the compensation of the Company's executives and such other related tasks as may be delegated to it by the Board.

#### **II. Membership**

- A. Independence. The Compensation Committee shall be comprised of three or more members of the Board, each of whom must qualify as an independent director ("Independent Director") under NASDAQ's listing requirements, and such additional standards as the Board may establish.
- B. Appointment. The members of the Compensation Committee shall be nominated by the Nominating and Corporate Governance Committee and appointed annually to one-year terms by the Board. The Nominating and Corporate Governance Committee shall recommend, and the Board shall designate, one member of the Compensation Committee as Chair.
- C. Removal. Members may be removed by the Board.

#### **III. Meetings and Procedures**

Meetings of the Compensation Committee shall be subject to the Committee procedural rules set forth in the Bylaws of FNBH Bancorp, Inc. and the Committee's own rules of procedure, which shall be consistent with those Bylaws and the following:

- A. The Compensation Committee shall meet at least once annually and more frequently as circumstances require. Special meetings of the Committee may be called by the Committee Chair or pursuant to any other procedures established by the Committee.
- B. Pre-meeting materials should be distributed to Committee members in sufficient time prior to meetings to permit review by members before the meeting. Committee members are expected to review those materials before each meeting. Meetings will be of duration adequate to permit full discussion of all agenda items.

- C. Following each of its meetings, the Compensation Committee shall deliver a report on the meeting to the Board, including a description of all actions taken by the Compensation Committee.
- D. The Compensation Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of FNBH Bancorp, Inc.

#### **IV. Responsibilities and Duties**

The Compensation Committee shall have the following authority, duties, and responsibilities:

- A. To establish the compensation philosophy of the Company and ensure that the Company's compensation policies, programs, and plans are designed to (i) promote and support the Company's objectives; (ii) attract and retain key executives; (iii) create appropriate incentives; (iv) relate total compensation to the Company's financial performance and the attainment of strategic results; (v) provides competitive compensation at a reasonable cost; and (vi) align the interests of management with those of the Company's stakeholders.
- B. To review and approve corporate goals and objectives which relate to CEO compensation and evaluate CEO performance against such goals and objectives.
- C. To review and recommend to the Board the annual base salary, annual incentive compensation, total compensation, and benefits of the CEO and other senior officers of the Company.
- D. To evaluate annually the CEO, CFO, and other key executives' payouts against (i) pre-established, measurable performance goals and budgets; (ii) generally comparable groups of executives; and (iii) external market trends.
- E. To review and recommend to the Board approval of any severance programs for executives, including change-of-control agreements, and to ensure that potential costs of such programs are fair and reasonable.
- F. To determine and approve, by direct action or through delegation, all awards, grants, and related actions under the provisions of the Company's equity-based compensation programs.
- G. To recommend to the Board the amount and types of compensation to be paid to non-employee Board members, subject to approval by vote of the full Board, in recognition of the conflict of directors setting their own remuneration.
- H. Together with the Board and the Audit Committee, to provide oversight with respect to the administration, funding, and investment strategy of the Company's retirement plans. On an annual basis, the Committee will review the investment performance and funding of these plans and make appropriate recommendations to the Board.

- I. In coordination with the Board and the Audit Committee (or other appropriate Committees), to review and approve in advance the contents of SEC and other regulatory filings relating to compensation matters.
- J. To implement recommendations by the Board to the Committee.
- K. To produce an Annual Report on executive compensation, in accordance with applicable rules and regulations, to be included in the Company's annual Proxy Statement to shareholders.
- L. To review and discuss with management the Company's Compensation Discussion and Analysis (CD&A) required by applicable rules and regulations.
- M. To perform any other activities consistent with this Charter, the Articles of Incorporation and Bylaws of FNBH Bancorp, Inc., and applicable laws and regulations, as the Committee or the Board deems necessary or appropriate.
- N. To review and assess this Charter from time to time and recommend amendments to the Board as necessary.

**V. Committee Resources**

- A. The Committee may retain outside consultants to assist the Committee in fulfilling its responsibilities and may authorize independent studies of corporate compensation and benefits of generally comparable companies. The Committee has the sole authority to retain and terminate the outside consultants and determine their fees and retention terms, and such consultants shall report directly to the Committee. Fees payable to any such outside consultants shall be expenses of the Company.
- B. The Committee may be assisted on compensation projects by various members of the Company's staff and may review compensation matters with the CEO and other members of senior management. The Committee may delegate to the CEO authority to recommend the amount and form of compensation paid to other executive officers and employees subordinate to the CEO, subject to such limitations and reporting responsibilities as the Committee may require. The Committee may not delegate to executive officers its authority to approve awards of stock options or other equity-based compensation. Neither the CEO nor any other executive officer may be present during voting or deliberations of the Committee regarding the CEO's compensation.

Last Approved: August 13, 2012