

**Peoples Bancorp of North Carolina, Inc.**  
**Compensation Committee Charter**

**I. General**

This Charter sets forth the authority and duties of the Compensation Committee (the "Committee") of the Board of Directors of Peoples Bancorp of North Carolina, Inc. (the "Company") and its subsidiaries.

The Committee will discharge the Board's responsibility in matters relating to the evaluation of the performance of the Chief Executive Officer and other executive officers, the determination of executive compensation and the administration of the Company's incentive compensation and equity based plans, and if required by, and in accordance with, the rules and regulations of the Securities and Exchange Commission, will produce an annual report on executive compensation to include in the Company's Proxy Statement. The Committee's principal responsibility in compensating executives is to align the incentives of the executives with actions that will enhance long-term shareholder value.

The Committee will report its activities to the Board and make such recommendations as the Committee deems necessary or appropriate.

The Committee will have the resources and authority appropriate to discharge its responsibilities, including authority to retain and terminate any compensation consulting firms used to assist in the evaluation of Chief Executive Officer ("CEO") or other executive officer compensation.

The Committee will have the authority to delegate to a subcommittee consisting of one or more members of the Committee such of its duties and responsibilities as it deems appropriate and advisable.

The Committee will review and assess the adequacy of this Charter annually and recommend changes to the Board of Directors when necessary.

**II. Membership**

The Committee members will be appointed by the Board of Directors each year, and the Chair of the Committee will be designated by the Board.

Committee members will serve at the pleasure of the Board and may be removed by the Board of Directors in its discretion.

The Committee will consist of three or more members, each of whom will satisfy, as determined by the Board of Directors, Securities and Exchange Commission rules and NASDAQ listing standards, including those with respect to independence.

The composition of the Committee and its independence will be reviewed annually by the Board of Directors.

### **III. Meetings**

The Committee will meet as often as necessary to fulfill its duties and responsibilities but not less often than one time per year.

Minutes of meetings will be approved by the Committee and maintained.

The Committee may request any officer or employee of the Company, or the Company's outside advisors, or any special counsel or advisors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall excuse the CEO from being present during the Committee's deliberations and votes upon the CEO's compensation.

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

The Committee will:

- Evaluate the Company's financial performance and relative shareholder return in determining executive compensation, taking into consideration such factors as the economic environment and general market conditions.
- Prepare and submit an annual report on executive compensation for inclusion in the Company's Proxy Statement, in accordance with applicable rules and regulations.
- Provide compensation parameters for use by the CEO in the CEO's establishment of the compensation of other executive officers.
- Provide oversight of the CEO's decisions concerning performance and compensation of other executive officers.
- At least annually, review and approve corporate goals and objectives relevant to the CEO's compensation, evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation level based on this evaluation; in determining the long-term incentive component of CEO compensation, the Committee will consider various measures of the Company's performance, including relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards made to the CEO in past years;
- Establish and approve policies on employment agreements, severance arrangements and change in control agreements and provisions, as well as any special supplemental benefits.
- Review and make recommendations to the Board with respect to incentive based compensation plans and equity based plans, establish criteria for the terms of awards granted to participants under such plans, grant awards in accordance with such criteria and exercise all authority granted to the Committee under such plans,

or by the Board in connection with such plans;

- Annually, oversee the evaluation of management.
- Evaluate succession plans at the senior level.
- Recommend to the Board the compensation for directors (including retainer, committee and committee chair fees, stock options and other similar items, as appropriate); and
- Retain, at the expense of the Bank, such consultants, legal counsel and other advisors as the Committee deems appropriate.
- The Committee is responsible for formulating adopting, interpreting, and implementing (including directing that actions described in the Policy be taken by the Company) the Excess Incentive-Based Compensation Recovery Policy of the Company (the "