

FIRST NATIONAL BANK OF NORTHERN CALIFORNIA

Executive Compensation Policy

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TABLE OF CONTENTS

EXECUTIVE MANAGEMENT	Page 1
EXECUTIVE COMPENSATION PHILOSOPHY AND OBJECTIVE	Page 1
FEDERAL LEGISLATION AND SEC REGULATIONS	Page 2
COMPENSATION COMMITTEE	Page 2
EXECUTIVE COMPENSATION RESTRICTIONS	Page 3

Executive Management

For purposes of this policy, Executive Management is defined as the positions of Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer and Chief Lending Officer. These five officers serve together as Executive Management of FNB Bancorp (the “Company”) and First National Bank of Northern Company (the “Bank”).

Three members of Executive Management also serve on the Board of Directors of the Company and the Bank and all three abstain from the executive compensation decisions made by the Board of Directors. Thomas C. McGraw is Chief Executive Officer of the Company and the Bank; Jim D. Black is President of the Company and the Bank; and Anthony J. Clifford is Executive Vice President and Chief Operating Officer of the Company and the Bank.

As Executive Officers of the Bank, these individuals are included in the following compensation plans provided by the Company:

- Base salary that is within salary guidelines established for the position
- Cash incentive compensation
- Stock option plan
- 401(k) profit sharing plan
- Company automobile for the Chief Executive Officer, President, and Chief Operating Officer

Additionally, the Bank has entered into Salary Continuation Agreements with Jim D. Black (President—in 2004), Anthony J. Clifford (Executive Vice President and Chief Operating Officer—in 2004), and David A. Curtis (Senior Vice President and Chief Financial Officer—in 2006). The Agreements provide for annual benefits to be paid to Mr. Black or his designated beneficiary of up to \$122,600 per year over a period of 20 years; annual benefits to be paid to Mr. Clifford or his designated beneficiary of up to \$140,700 per year over a period of 20 years; and annual benefits to be paid to Mr. Curtis or his designated beneficiary of up to \$170,000 per year over a period of 20 years. Such benefits were effective for each of Messrs. Black, Clifford and Curtis upon (i) attainment of age 65, or upon death or disability prior to such time if the executive is actively employed by First National Bank at the time; (ii) termination of the executive’s employment by First National Bank without “cause” (as defined in the Agreements); and (iii) termination or constructive termination of the executive’s employment by First National Bank after the occurrence of a “change of control” of First National Bank (as defined in the Agreements). Additionally, Messrs. Black and Clifford have an agreement in place that should the Bank be sold, they would both receive two years salary should they not be offered employment by the surviving entity.

Compensation Philosophy and Objectives

The compensation programs and policies of the Company and the Bank are designed to enhance shareholder value by aligning the financial interests of the executive officers with those of the shareholders. The Company and the Bank compete with other financial institutions by seeking to attract and retain a highly qualified management team, utilizing compensation programs that

reward performance. The Board of Directors believes that its Executive Management Compensation programs should:

- reflect the qualifications, skills, experience and responsibilities of each officer on the management team;
- serve to attract and retain the most qualified individuals available to the Company by being competitive with the compensation being paid to persons having similar positions and responsibilities with other financial institutions in the same or adjoining market areas;
- provide each officer on the management team with incentive and motivation to achieve his or her personal goals, both short term and long term, set in a manner which is consistent with the overall strategic goals of the Company, as determined by the Board of Directors; and
- reward those officers whose performance, both individually and as a member of the management team, is superior and meets the targets set by the Board of Directors.

The compensation of the executive officers of First National Bank is reviewed and approved annually by the Board of Directors, including a review of base salaries (the “fixed” portion of compensation) and a discretionary bonus plan based on performance objectives (the “variable” or incentive portion of compensation). This review by the Board of Directors is based on the recommendations of the Compensation Committee of the Board of Directors, whose members are exclusively outside directors.

Federal Legislation and SEC Regulations

On February 27, 2009, the Company issued and sold shares of its Series A and Series B Preferred Stock to the U. S. Treasury, as part of the TARP Capital Purchase Program. The TARP agreements signed by the Company subject the Company and its senior executive officers to executive compensation limitations. There are also executive compensation limitations set forth in the Emergency Economic Stabilization Act of 2008 (the “EESA”) and the American Recovery and Reinvestment Act of 2009 (the “ARRA”). It is widely anticipated that the SEC will, in the near future, issue regulations that will further clarify procedural requirements to insure compliance with the legislation listed above.

Compensation Committee

The Compensation Committee is comprised of three independent, outside directors of the Company. None of the members of this committee is or has been an officer or employee of the Company or the Bank, nor have they been a participant in any transaction with the Company or the Bank whereby they received a direct or indirect material benefit for having served on the Committee. The Compensation Committee has the authority to access any resource or contract with any third party that, in the opinion of the Compensation Committee, is necessary to gain the information necessary to make an

informed decision. The Executive Compensation Committee reports its executive bonus recommendations to the full Board of Directors.

So long as the Company participates in the TARP program, the Compensation Committee will meet no less than twice annually to discuss and evaluate employee compensation plans in light of an assessment of the risk posed from the plans. These meetings and the related discussions shall be documented by minutes taken for each meeting.

Executive Compensation Restrictions

Executive Compensation Limits

The Compensation Committee and the Board of Directors have no desire to provide any incentive to executive management to take any unnecessary or excessive risks that threaten the value of the financial institution. Executive management shall be expected to act in the long-term best interests of the Bank. The Executive Management incentive bonus will be based, in part, on the success of the executive in promoting the long-term interests of the Bank while guiding the operations of the Bank within acceptable risk limits.

Claw-Back Provisions

The Compensation Committee makes its recommendations to the Board of Directors based on the Bank and the Company's financial statement position, level of growth in the deposit and loan portfolio, the quality of the earnings, and other financial information they deem relevant. In the event the financial statement information presented to the Compensation Committee is later determined to be materially in error, and the error(s) are significant enough to cause the financial statements to have to be restated, and that restatement reflects negatively on the financial position and earnings of the Company or the Bank, the Board of Directors shall have the right and the authority to recover, on behalf of the Company, any bonus paid to the top twenty most highly compensated employees. This claw-back provision shall be instituted when bonuses paid are based on financial statement earnings, gains, or other criteria that are later proven to be materially inaccurate.

Most Highly Compensated Executive Bonus Restriction

The Board of Directors will not pay or accrue any bonus, retention award, or incentive compensation to the most highly compensated senior executive (CEO Tom McGraw) during the time that the Company participates in the TARP Capital Purchase Program ("CPP"), with the exception that the Board of Directors reserves the right to provide long-term restricted stock that does not fully vest during the period of time the Company participates in the CPP and has a value that does not exceed 1/3 of the total annual compensation of this executive.

Elimination of Golden Parachute Executive Payments

The Board of Directors shall prohibit the payment of any "golden parachute" payments, as defined by IRS code section 280G tax regulations, to Executive Management so long as the Company participates in the CPP program. Payments given "golden parachute" status by new

IRS code section §280G(e) under the EESA are those triggered on account of (A) an involuntary termination (described by the statute as a "severance" and without reference to any change in control) or (B) a termination in connection with a bankruptcy filing, liquidation or receivership of the employer. The restrictions imposed by CPP on such severance payments ("golden parachute payments") only apply to such payments that exceed 2.99 times the executive's "base amount." "Base amount" is calculated in the same manner as traditionally used under Code §280G in cases of changes in control - that is, the average of the executive's annual compensation over the five preceding taxable years (or lesser period of employment, if applicable).

Disclosure of Executive Compensation

Executive management compensation is disclosed in the Company's annual proxy statement. The Company's proxy statement and proxy card, which is used for voting at the annual meeting of the shareholders, shall permit a separate shareholder vote to approve the compensation of the executives of the Company, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, so long as the Company participates in the U. S. Treasury's CPP. The vote shall be nonbinding on the Company, and may not be construed to restrict or limit the ability of shareholders to make proposals for inclusion in proxy materials related to executive compensation.

Executive Management Annual Compensation Maximum

Executive compensation shall not exceed \$500,000 to a single executive in any given calendar year so long as the Bank participates in the U. S. Treasury's CPP. The U. S. Treasury has enacted tax legislation, under IRS code section 162, subsection (m), which eliminates a compensation expense deduction to any participant of the CPP that pays a total compensation package of over \$500,000 annually to any executive of the Bank.

Annual Certification

The Chief Executive Officer and the Chief Financial Officer shall provide an annual written certification of compliance of these requirements that shall be submitted to the SEC as part of the Company's Form 10K and annual report.