

U.S.B. HOLDING CO., INC.
BOARD OF DIRECTORS
COMPENSATION COMMITTEE

CHARTER

I. Purpose

The primary objectives of the Compensation Committee (the “Committee”) are to advise and assist the Boards of U.S.B. Holding Co., Inc. (the “Company”) and Union State Bank (the “Bank”), collectively, the “Boards” by:

1. Evaluating and recommending executive compensation and benefit programs;
2. Advising and assisting the Board in discharging its responsibilities with respect to executive compensation, including developing future compensation plans; and
3. Producing an annual report on executive compensation for inclusion in the Company’s annual proxy statement, in accordance with applicable rules and regulations.

II. Organization and Committee Qualifications

1. The Committee shall be comprised of at least three (3) independent directors, each of whom shall satisfy the applicable independence requirements of the Securities and Exchange Commission (the “Commission”), the New York Stock Exchange (“NYSE”), the Board of Directors and any other regulatory requirements as may be set from time to time.
2. A person may serve on the Committee only if he or she:
 - a. is a “Non-employee Director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and
 - b. satisfies the requirements of an “outside director” for purposes of Section 162 (m) of the Internal Revenue Code of 1986, as amended.
3. Committee members shall be recommended by the Nominating/Corporate Governance Committee and shall be elected by a majority vote of the Board of Directors on an annual basis within 90 days after the end of the Company’s fiscal year.

4. Committee members shall serve until their successors shall be duly elected and qualified or until their earlier resignation or removal.
5. Vacancies on the Committee shall be filled by a majority vote of the Board at the next meeting of the Board following the occurrence of a vacancy.
6. A member of the Committee may be removed with or without cause, by a majority vote of the Board.
7. The Chairperson of the Committee shall be designated by the full Board, or in the event it does not do so, the Committee members shall elect a Chairperson by a majority vote of the full Committee.
8. The Committee may form and delegate authority to subcommittees when appropriate and in accordance with applicable law, regulations or NYSE requirements.
9. The Board shall make any final decisions with respect to the Board or Board Committee structure or membership.

III. Meetings

1. The Chairperson of the Committee will preside at each meeting and, in consultation with other members of the Committee, set the frequency and length of each meeting and the agenda of items to be addressed at each meeting.
2. The Chairperson shall ensure that the agenda for each meeting is circulated to each Committee member in advance of the meeting.
3. The Chairperson shall direct that the minutes of the meeting be kept and distributed to Committee members and other directors and certain executive officers.
4. The Chairperson may request members of management and other persons to be present at the meetings and to provide such pertinent information as requested.
5. The Committee shall report to the full Board after each Committee meeting.
6. The Committee shall meet at least two times annually, or more frequently as circumstances dictate. The Chairperson may call

meetings of the Committee. All meetings of the Committee may be held telephonically.

IV. Minutes

1. Minutes of the meetings are to be prepared at the direction of the Chairperson and sent to Committee members and all other Directors.
2. Copies of the minutes are to be provided to the Chief Executive Officer, the Chief Financial Officer, the Chief Internal Auditor and the General Counsel.

V. Goals and Responsibilities

A. Charter Review

Review and assess the adequacy of this Charter each year. Submit any recommended changes to the Charter to the Board of Directors for approval and publish the document as required by law or NYSE rules.

B. Executive Compensation and Benefits

1. Assure that the senior executives of the Company and its subsidiaries are compensated effectively in a manner consistent with the stated compensation strategy of the Company, internal equity considerations, competitive practice, and the requirements of the appropriate regulatory bodies.
2. Administer the Company's and Bank's executive compensation, executive employment contracts and executive compensation plans.
3. Make recommendations to the Board with respect to executive compensation, contracts and incentive-compensation, equity-based and other plans.
4. Establish and review criteria for the granting of base compensation and inclusion of employees in the executive compensation plan.
5. Review and approve all employment contracts for executive officers.
6. Review executive performance and review and approve compensation of all officers of the Company and Bank on an annual basis.
7. Prepare (with the assistance of a consultant, if appropriate) a comparison of Company performance and Executive

compensation to a peer group of comparable institutions to assist in determining the adequacy of executive compensation.

8. Work in conjunction with the Stock Option Committee and the Nominating/Corporate Governance Committee, in regard to equity-based compensation to be granted to any executive officer or director.
9. Prepare and approve reports and statements to the Company's stockholders and other reports as required by the Commission, NYSE and other regulatory authorities, including the Compensation Committee report on Executive Compensation as required by the SEC to be included in the Company's annual Proxy Statement.

C. Review of CEO Performance

1. Conduct an annual review of the CEO's performance.
2. Review and approve corporate goals and objectives relevant to CEO compensation; evaluate the CEO's performance in light of these goals and objectives; determine and approve the CEO's compensation based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee should consider the Company's performances and relative stockholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the Company's CEO in past years.
3. The Chairperson of the Compensation Committee will subsequently discuss such review with the CEO.

D. Other Committee Responsibilities

1. Report to the Board at its next meeting on all material details of compensation and benefit matters affecting the CEO or any executive officer that reports directly to the CEO, whether or not Board ratification is required.
2. Perform any other activities consistent with this Charter, the Company's By-Laws and applicable law, as the Committee or Board deems necessary or appropriate.
3. Annually evaluate the Committee's performance and adherence to its Charter.
4. Periodically review materials or receive education on Committee-related developments and best practices.

VI. Resources

The Committee shall have the authority to obtain advice and seek assistance from internal or external legal, accounting or other advisors. The Committee shall have the sole authority to retain and terminate any search firm to be used to identify candidates, including sole authority to approve such search firm's fees and any other retention terms.

VII. Disclosure

This Charter will be made available on the Company's website.

Approved by the Board of Directors: February 25, 2005

Approved by the Nominating/Corporate Governance Committee: February 16, 2005