



CHARTER OF NOMINATING AND CORPORATE GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS

I. Purpose

The Nominating and Corporate Governance Committee (the "Committee") is appointed by the Board of Directors (the "Board") of KNBT Bancorp, Inc. (the "Company") to assist the Board in fulfilling its oversight responsibility. The primary duties and responsibilities of the Committee are to:

- identify and recommend to the full Board the selection of qualified individuals to serve as Board members and recommend to the full Board director nominees for each Annual Meeting of Shareholders;
- develop corporate governance principles applicable to the Company and to govern the conduct of the Board and its members; and
- review nominations for director submitted by shareholders pursuant to Section 3.12 of the Company's Bylaws.

The Committee has the authority to access any consultant of the Company to aid it in its responsibilities. The Committee has the authority and ability to retain, compensate and terminate, at the Company's expense, any search firm used to identify director candidates as is necessary to undertake its responsibilities.

II. Compensation and Meetings

Members of the Committee, as well as other committees of the Board, must meet applicable Nasdaq National Market listing standards and other statutory or regulatory requirements relative to director independence. The Committee must have two or more independent directors as determined by the Board, each of whom must be independent, non-employee directors, free from any relationship that would interfere with the exercise of its members' equitable judgment. Non-independent directors may attend Committee meetings and assist the Committee in establishing its meeting agendas. Compensation for

service on the Committee will be established by the full Board based on the recommendations of the Executive Committee.

Members of the Committee, as well as other committees of the Board, are appointed by the Board of Directors at its Annual Meeting. Each committee of the Board will select the chair of such committee.

The Committee shall establish its own schedule for meetings throughout the year. The Committee Chair must approve an agenda in advance of each meeting. If the Chair is not present, the members of the Committee may designate a Chair by a majority vote of those present. The Committee shall meet in executive session annually to review the performance of the Board and/or to discuss any other matters that it believes should be discussed without management present and will present a report to the Board.

The Committee shall report to the Board of Directors. The Committee shall have authority to delegate any of its responsibilities to subcommittees as it may deem appropriate in its sole discretion and to retain, terminate and obtain advice, reports or opinions from search firms or other internal or outside advisors and legal counsel in the performance of its responsibilities, and shall have the sole authority to approve related fees and retention terms.

III. Goals, Responsibilities and Duties

The Committee shall establish criteria for the selection of new directors to serve on the Board of Directors.

A. Recommend Qualified Individuals for Board Membership

- Review individual qualifications for service of individuals on the full Board;
- Recommend to the Board individuals for Board membership;
- Review shareholder submitted nominees for election of directors at the Annual Meeting of Shareholders; and
- Recommend to the Board nominees for election of directors at the Annual Meeting of Shareholders.

In identifying candidates for membership on the Board of Directors, the Committee shall take into account all factors it considers appropriate, which may include (a) ensuring that the Board of Directors, as a whole, is diverse and consists of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise (including expertise that could qualify a director as a "financial expert,"

as that term is defined by the rules of the SEC), local or community ties and (b) minimum individual qualifications, including strength of character, mature judgment, familiarity with the Company's business and industry, independence of thought and an ability to work collegially. The Committee also may consider the extent to which the candidate would fill a present need on the Board of Directors.

B. Committee Membership and Qualifications

- Recommend to the full Board the establishment of Board committees and subcommittees, as necessary, at the Annual Meeting of the Board and at other times during the year, if necessary;
- Recommend to the full Board the membership and composition of each of the Board committees and sub-committees and recommend removal of any committee member, if necessary; and
- Review qualifications of Directors for committee membership.

C. Develop and Oversee Corporate Governance Principles

- Develop and annually review Corporate Governance Principles for the overall governance of the Board of the Company and its subsidiaries and keep abreast of developments with regard to corporate governance to enable the Committee to make recommendations to the Board in light of such developments as may be appropriate.

D. Other

- Maintain minutes of meetings, which are circulated to the full Board and report to the full Board of Directors on a regular basis.

Date: March 8, 2004

Approved by Nominating and Corporate Governance Committee

Date: March 22, 2004

Approved by Board of Directors of KNBT Bancorp, Inc.