



## Compensation Committee Charter

Approved January 21, 2015

### Purpose

The purpose of the Compensation Committee (the "Committee") of the Board of Directors of HopFed Bancorp, Inc. (the "Company") and Heritage Bank (the "Bank") is to:

- discharge the Board's responsibilities relating to compensation of the directors and executive officers of the Company and the Bank;
- review and recommend compensation plans, policies and benefit programs; and
- prepare the report on executive compensation required to be included in the Company's annual proxy statement.

### Membership and Organization

The Committee will consist of not fewer than three members each of whom shall be independent directors as defined in Rule 4200(a)(15) of the National Association of Securities Dealers, Inc. and shall also be "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986.

One member shall serve as Chairman of the Committee. The members of the Committee shall serve one-year terms, and shall be appointed by the Board of the Company annually. Members of the Committee may be removed or replaced at the discretion of the Board of the Company. A quorum of at least 2/3 of the members of the Compensation Committee must be present in order to conduct the business of the committee. If a quorum is not present, the meeting will be rescheduled.

## Meetings

The Committee shall meet with such frequency and at such intervals as it shall deem necessary to carry out its duties and responsibilities.

Meetings of the Committee may be called as needed by the Committee Chairman, the Chairman of the Board or the Chief Executive Officer.

The Chairman will preside, when present, at all meetings of the Committee. The Committee may meet by telephone and may take action by written consent.

The Committee shall have the right to retain independent compensation consultants, counsel, accountants, and other advisors at the expense of the Company or the Bank, as applicable, and shall have the sole authority to approve the form and other retention terms in connection therewith.

The Committee shall have the authority to obtain advice and assistance from any employee of the Company or the Bank.

The Committee may request that members of management be present to assist the Committee in performing its duties. The Chief Executive Officer may not be present during deliberations or voting by the Committee regarding the compensation of the Chief Executive Officer.

The Committee may form, and where legally permissible may delegate authority to subcommittees when appropriate. Where legally permissible, the Committee may delegate authority to committees consisting of employees when appropriate or desirable for the efficient administration of employee compensation plans.

## Responsibilities and Duties

In carrying out its responsibilities, the Committee's policies and procedures should remain flexible, in order to react to changing conditions and to ensure the effective oversight of compensation programs. Specific responsibilities and duties of the Committee include:

## Compensation

Annually review and approve corporate goals and objectives relevant to Chief Executive Officer compensation, evaluate the Chief Executive Officer's performance relative to those goals and objectives, and recommend to the Board the Chief Executive Officer's compensation levels based on this evaluation, including cash bonuses and awards.

Annually review and make recommendations to the Board of the Company and the Bank with respect to the compensation of all executive officers (i.e., the officers elected by the

Board), including awards pursuant to incentive compensation plans and equity-based plans.

Annually review and approve, for the Chief Executive Officer and other executive and corporate officers, annual base salary, annual incentive opportunity, long-term incentive opportunity, employment and severance arrangements, change in control arrangements and provisions, and any special or supplemental benefits, in each case when and as appropriate.

Annually review and make recommendations to the Board with respect to the compensation of all non-management directors, including the Chairman, including cash compensation, per-meeting fees, expense reimbursement policies, and awards pursuant to incentive and equity-based compensation plans. A majority of the independent directors of the Company's Board

must approve the recommendation. Consulting or similar fees paid by the Company or the Bank to Directors require approval of the Committee.

Review and approve other management participants in stock-based compensation programs and the awards to each of them.

#### *Stock-Based Compensation Plans*

Recommend the terms of, and any amendments to, any stock-based compensation program, including the number of shares reserved for issuance under the plan(s).

#### *Other Benefit Programs*

Periodically review other major benefit plans offered to all employees, such as medical coverage and retirement plans

#### *General*

Make regular reports to the Board.

Attempt to ensure that compensation policies comply with section 162(m) of the Internal Revenue Code, permitting deductibility of compensation to any individual in excess of \$1,000,000.

Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

Annually review, edit, and approve the "Report of the Compensation Committee" for the Proxy Statement.

Perform any other activities consistent with this Charter, the charter and bylaws of the Company and the Bank and governing law, as the Committee or the Board of the Company or the Bank deems necessary or appropriate.