

SHORE BANCSHARES, INC.

and its subsidiaries

COMPENSATION COMMITTEE CHARTER

The members of the Compensation Committee ("Committee") shall be appointed annually by the Board of Directors ("Board") of Shore Bancshares, Inc. ("Company"). The Committee's responsibilities include reviewing the compensation of the Company's Chief Executive Officer ("CEO"), members of the Board ("Directors"), Officers (as defined below) and other key employees in light of corporate goals and objectives and making recommendations concerning the same. As used in this Charter, the term "compensation" shall mean (1) base salary; (2) annual bonus; (3) long term incentive and equity based compensation; (4) any other payments or benefits provided pursuant to employment agreements, severance agreements, change in control or similar agreements; and (5) supplemental benefits. As used in this Charter, the term "Officer" shall include (a) "officers," as defined by Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (b) "named executive officers", as defined in Item 402(a)(3) of Regulation S-K.

The Committee and its duties are discussed in detail below:

Committee Membership:

The Committee shall be comprised of no fewer than three Directors who are (1) "independent" as defined by the applicable rules on Nasdaq Stock Market, Inc., (2) "non-employee" Directors as defined by Rule 16b-3 under the Exchange Act, and (3) "outside Directors" as defined by Section 162(m) of the Internal Revenue Code. The members of the Committee shall be appointed by the Board on the recommendation of the Company's Nominating and Corporate Governance Committee (the "Governance Committee"), and may be removed or replaced by, and at the discretion of, the Board. Unless the Board of Directors elects the Chairman, the members of the Committee shall designate a Chairman by majority vote of the full Committee. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.

Committee Authority and Responsibility:

- The Committee shall be responsible for taking all actions required of board compensation committees to the extent necessary to comply with compensation-related regulatory requirements established by applicable regulatory bodies, including the Board of Governors of the Federal Reserve System, NASDAQ Stock Market, Inc., and the Securities and Exchange Commission.
- In the performance of its duties, the Committee may rely on outside consultants and other financial, legal, or other advisors (each an "advisor") and shall have sole authority to retain and terminate the advisor at the expense of the Company. In the event the Committee selects or obtains advice from an advisor, they may only do so after taking into consideration the following independence factors in their totality:
 1. The provision of other services to the Company by the firm employing the advisor;
 2. The amount of fees received from the Company by the firm that employs the advisor, as a percentage of total revenue of that firm that employs the advisor;

3. The policies and procedures of the firm that employs the advisor that are designed to prevent conflicts of interest;
 4. Any business or personal relationship of the advisor with a member of the Committee;
 5. Any stock of the Company owned by the advisor; and
 6. Any business or personal relationship of the advisor or the firm employing the advisor with an executive officer of the Company.
- The Committee is not required to conduct the independence analysis described immediately above if the advisor will be (a) consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of Officers or Directors of the Company, and that is available generally to all salaried employees of the Company; and/or (b) providing information that either is not customized for the Company or that is customized based on parameters that are not developed by the advisor, and about which the advisor does not provide advice.
 - The Committee is responsible for overseeing the work of any advisor retained by the Committee.
 - The Committee is responsible for and will authorize appropriate funding for the payment of reasonable compensation to any advisor retained by the Committee.
 - Annually, or more frequently, the Committee will review this Charter and recommend appropriate changes to the Board.
 - Annually, or more frequently, the Committee shall review and approve the compensation of all Officers and Directors. In doing so, the Committee will consider the current levels of Officers and Director Responsibility, the Company's performance, relative to stockholder return, compensation of Officers and Directors at comparable companies, the compensation earned by such Executives and Directors in the past, and such other factors as it deems appropriate. The CEO shall not attend the portion of the meeting during which the Committee reviews and approves the CEO's compensation.
 - Annually, the Committee shall review and approve performance goals and objectives for Officers. In doing so, the Committee will consider that incentive plan design and features as well as the mix and weight of goals to ensure that such plan(s) do not expose the Company to any material risk.
 - Annually, the Committee will review Company and individual performance relative to performance metrics in any annual and long term incentive plans, whether cash or equity, and approve award payouts.
 - Approve any new material changes to annual and long-term incentive plans for the Officers. This may include overall plan design, performance criteria, formula computation and calculation of award amounts, such as cash or equity payouts. In reviewing and making recommendations regarding or approving incentive compensation plans for this group of executives, the Committee will consider the Company's overall strategy and results of the most recent Say on Pay Vote.
 - The Committee will consider the appropriateness of clawback provisions for every executive cash award or equivalent grant.
 - The Committee will review and monitor named executive and director stock ownership levels in accordance with stock ownership requirements adopted by the Board.

- The Committee will review annually all material incentive plans at the Company to ensure they do not expose the Company to any material risk.
- The Committee will review named Officer employment agreements or change in control agreements to ensure they are reasonable and in line with peers and industry best practices.
- At the time a new Officer is employed, the Committee will review and approve the compensation to be paid to that Officer.
- Annually, the Committee shall review proposed recommendations from the CEO regarding:
 - o Company-wide wage or merit adjustment budget dollars;
 - o Company-wide profit sharing distributions;
 - o Other Company-wide incentive and bonus plan distributions; including equity awards;
 - o Individual compensation arrangements that are considered outside normal business or normal Company practice;
 - o Oversee and periodically review the Company's executive benefit plans (Company personnel are responsible for day-to-day administration of the benefit plans);
 - o Employment, severance, or retention agreements; and
 - o Officer title modifications.
- Together with the Board and the Governance Committee, the Committee shall participate in the development and periodic review of succession plans for the CEO and other key personnel.
- The Committee shall review and discuss with management the "Compensation Discussion and Analysis" section that is contained in the Company's annual proxy statement, and shall make appropriate recommendations to the Board regarding its inclusion in the Company's Annual Report on Form 10-K and proxy statement. The Committee and its designees shall prepare a report on executive compensation for inclusion in the Company's annual meeting proxy statement.
- The Committee will review and consider the results of shareholder votes on Say on Pay and the Company's CEO Pay Ratio.
- The Committee will review director compensation and make recommendations to the Board on changes to director compensation. The Committee will ensure director compensation, including equity compensation is reasonable and in line with peer companies and the industry.
- The Chairman shall be responsible for preparing meeting agendas, presiding over meetings, maintaining appropriate records and reporting on behalf of the Committee to the Board.
- The Chairman shall ensure that meeting minutes, (1) are prepared within a reasonable period of time following the meeting, but not later than the next meeting, (2) reflect compensation arrangements and terms reviewed and acted on (3) and shall include an attachment of the documentation or comparability data that was relied upon for decisions made, and (4) indicate the members present and how they voted on compensation matters.

- The Committee may form, and delegate its authority hereunder (or its authority as delegated by the Board) to, subcommittees when appropriate.
- The Committee shall have such other authority and responsibilities as may be assigned to it from time to time by the Board.