

National Bankshares, Inc.
Risk & Governance Committee of the Board of Directors
Charter

Purpose and authority

The Risk & Governance Committee of the Board of Directors of National Bankshares, Inc. (“the Company”) is responsible for overseeing the Company’s overall risk framework and risk appetite, and to oversee and approve the Company’s practices for risk identification, measurement, monitoring and control. The Risk & Governance Committee also assists the Board in discharging its duties related to corporate governance functions, including the implementation of sound corporate governance principles and practices. The Risk & Governance Committee is tasked to:

- Oversee, in conjunction with other Board committees, risks encompassing credit risk, interest rate risk, liquidity risk, operational and compliance risk (including model risk, information security risk and cyber defense management), regulatory and legal risk (including financial crimes risk and BSA/AML risk), market risk, strategic risk and reputation risk.
- Perform periodic analysis to determine whether all pertinent risks are appropriately monitored by the Board and/or Board committees. The periodic analysis will consider risks that may be currently overlooked and risks that may be addressed in multiple committees for which oversight may be streamlined.
- Determine that executive management has identified and assessed all the risks the Company faces and has established a risk management infrastructure capable of addressing those risks.
- Develop and recommend to the Board a set of corporate governance principles and perform a leadership role in shaping corporate governance for the Company; annually review and recommend changes as appropriate to these principles.
- Oversee the Company’s policies, programs, strategies and practices in compliance with applicable legal, regulatory or other requirements.
- Monitor and review any other corporate governance matters which the Board may refer to the Committee from time to time.

While the Risk & Governance Committee has the authority and responsibilities set forth in this Charter, management is responsible for identifying, measuring, monitoring and managing risk and ensuring systems and processes are in place to accomplish those tasks effectively. Management shall also effectively implement the Company’s corporate governance principles and programs and monitor compliance with such principles and programs.

Access to records and advisors

The Risk & Governance Committee shall have full access to any relevant records of the Company and may obtain advice and assistance from outside legal, accounting, or other advisors to perform its duties and responsibilities.

Composition and meetings

The Risk & Governance Committee will comprise three or more directors as determined by the Board, each of whom shall be “independent” under applicable Securities and Exchange Commission regulations and NASDAQ listing standards, and free from any relationship that would interfere with the exercise of his or her independent judgment. Committee members and the Risk & Governance Committee chairperson will be appointed by the Board. The Risk & Governance Committee will report to the full Board.

The Risk & Governance Committee will meet quarterly, or more frequently as circumstances dictate. The Risk & Governance Committee chairperson will approve the agenda for the Risk & Governance Committee meetings, and any member may suggest items for consideration. The Risk & Governance Committee may periodically meet with management in separate executive sessions.

The Risk & Governance Committee will report the Committee’s actions, recommendations or findings to the Board at the next regularly scheduled meeting following a Risk & Governance Committee meeting.

Responsibilities and duties

To fulfill its responsibilities and duties, the Risk & Governance Committee will

- A. Set the tone for the Company’s risk culture and promote open discussion regarding risk.
- B. Provide direction to management regarding the Company’s risk appetite and tolerance.
- C. Make a recommendation to the Board for a general Risk Appetite Statement that includes key risk tolerances and risk management policy that provides a framework for administering the risk management process and decision-making.
- D. Monitor the Company’s risk profile and its on-going and potential exposure to risks of various types.
- E. Review and approve the management-level enterprise risk management committee purpose statement and annual risk monitoring plan.
- F. Ensure that the critical risk management policies, procedures, processes and systems for the identification of, management of, and planning for risks on an enterprise-wide basis, are reviewed and approved by the Board.
- G. In coordination with the Audit Committee, understand how the Company’s internal audit work plan is aligned with the risks that have been identified and with risk governance and management information needs.
- H. Review and assess compliance with the Company’s corporate governance principles and guidelines, the Company’s Code of Conduct, Code of Ethics and any other applicable corporate governance requirements established by federal laws and regulations or otherwise as applicable to the Company or Bank.

- I. Monitor compliance with any commitments made to the regulators or otherwise regarding changes in corporate governance practices.
- J. Review minutes and reports from the Company's management-level Risk Committee.
- K. Consult with other Board committees on risk and governance-related matters, in such manner as the Risk & Governance Committee deems appropriate.

Education, performance assessment and amendments

The Risk & Governance Committee will provide members with annual education opportunities and customized training on risk governance, oversight and management.

The Risk & Governance Committee shall review the Charter annually and update as needed to respond to new risk-oversight needs and any changes in regulatory or other requirements. The Charter will be submitted to the full Board for approval.