

## **National Bankshares, Inc. Compensation Committee Charter**

### **Purpose**

The Compensation Committee (the “Committee”) is a standing committee of the Board of Directors (the “Board”) of National Bankshares, Inc. and subsidiaries (the “Company”). The purpose of the Committee is to oversee the administration of the Company’s compensation and benefit programs and to review and determine the compensation of the Company’s Chief Executive Officer and all other executive officers of the Company. The Committee shall prepare a report on executive compensation for inclusion in the Company’s Annual Proxy Statement.

### **Membership**

The Committee shall consist of three (3) or more members of the Board, each of whom shall meet the independence requirements of the NASDAQ listing standards and any other applicable laws, rules and regulations governing independence, as determined by the Board. Members of the Committee also shall qualify as “non-employee directors” as defined in Section 16 of the Securities Exchange Act of 1934, and “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), or any other standards of applicable law, rule or regulation. Committee members shall be appointed by the Board of Directors annually and shall serve at the pleasure of the Board. The Committee shall designate one of its members as Chairperson.

### **Meetings**

The Committee shall meet as often as necessary to fulfill its duties and responsibilities but not less than one (1) time per year. The Committee may invite such members of management to its meetings as it may deem desirable or appropriate, consistent with maintenance of the confidentiality of compensation discussions.

Minutes for all meetings of the Committee shall be prepared to document the Committee’s discharge of its responsibilities. Minutes shall be approved at a subsequent meeting of the full Board. The Committee shall make regular reports of its meetings to the full Board and will provide the Board with a recommendation regarding any compensation related matters requiring Board action.

### **Authority & Responsibilities**

The Committee shall have the duties, responsibilities and authority to:

- Annually review and approve the annual base salaries and annual incentive opportunities of the Executive Officers. The CEO shall not be present during any Committee deliberations or voting with respect to his or her compensation.
- Periodically and as and when appropriate, review and approve the following as they affect the Executive Officers: (a) all other incentive awards and opportunities, including both cash-based and equity-based awards and opportunities; (b) any employment agreements and severance arrangements; (c) any change in control agreements and severance protection plans and change in control provisions affecting any elements of compensation and benefits; and (d) any special or

supplemental compensation and benefits for the Executive Officers and individuals who formerly served as Executive Officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.

- Review and discuss the Compensation Discussion and Analysis (the “CD&A”) to be included in the Company’s proxy statement and annual report on Form 10-K by the rules and regulations of the Securities and Exchange Commission (the “SEC”) with management, and, based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be so included.
- Produce the annual Compensation Committee Report for inclusion in the Company’s proxy statement in compliance with the rules and regulations promulgated by the SEC.
- Oversee the Company’s compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under the NASDAQ rules that, with limited exceptions, shareholders approve equity compensation plans
- Review executive officer compensation in reference to Section 162(m) of the Internal Revenue Code, as it may be amended from time to time, and any other applicable laws, rules and regulations.
- Recommend to the Board the compensation for directors (including retainer, committee and committee chair fees, stock options and other similar items, as appropriate).
- Conduct an annual review of the Compensation Committee’s performance, periodically assess the adequacy of its charter and recommend changes to the Board as needed.
- The Committee may retain one or more compensation consultants or other advisors to assist the Committee with its duties. In addition, the Committee shall have available to it such support personnel, including management staff, outside auditors, attorneys and consultants as it deems necessary to discharge its responsibilities. The Company shall provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation adviser retained by the Committee. Before retaining or obtaining the advice of a compensation consultant, the Committee shall consider whether the consultant’s work is likely to present any conflict of interest, based on the following factors: (i) whether the firm that employs the compensation consultant or the firm’s affiliates (the “consulting firm”) performs any additional services for the Company, (ii) the amount of fees payable to the consulting firm as a percentage of the consulting firm’s total revenues; (iii) any policies or procedures of the consulting firm designed to prevent conflicts of interest; (iv) any business or personal relationship that the compensation consultant has with any Committee member; (v) whether the compensation consultant owns any stock of the Company; (vi) any business or personal relationship that the compensation consultant or consulting firm has with any executive officer of the Company; and (vii) any additional factors affecting the independence of the compensation consultant or consulting firm from management of the Company as the Committee deems appropriate. If any such factors are present, the Committee shall determine any actions that must or should be taken for any potential conflict of interest to be

resolved. If a compensation consultant or consulting firm performs any additional services for the Company other than consulting on executive or director compensation, the Committee shall approve the annual amount of aggregate fees permitted for such additional services, if any. The Committee shall periodically (at least once per year) reconsider the factors set forth above with respect to a compensation consultant whom it has previously retained or from whom it continues to obtain advice.

- Perform any other activities consistent with this Charter, the Company's By-laws and governing law as the Committee or the Board deem appropriate. Delegate responsibility to an individual or any subcommittee of the Committee as necessary or appropriate.

Adopted January 2014  
Reviewed January 2017