

**NATIONAL BANKSHARES, INC.  
CHARTER OF THE NOMINATING COMMITTEE  
OF THE  
BOARD OF DIRECTORS**

**I. Nominating Committee Purpose**

The Nominating Committee of the Board of Directors of National Bankshares, Inc. is appointed by the Board to assist the Board of Directors in fulfilling its responsibilities to assure that the Corporation is governed in a manner that is consistent with the interests of its stockholders. The Nominating Committee shall advise the Board with respect to Board membership and function.

**II. Nominating Committee Membership and Meetings**

The Nominating Committee shall consist of three or more Independent Directors (as defined by the Marketplace Rules of the Nasdaq Stock Market). The Committee members shall be appointed annually by the Board of Directors upon recommendation of the Chairman of the Board for terms of one year, or until their successors are duly elected and qualified. The Board of Directors may, upon recommendation of the Nominating Committee, remove any Committee member at any time. Unless the Chairman of the Board and the full Board of Directors appoint a Committee Chairman, the Committee members may designate a Committee Chairman.

The Committee shall meet periodically as deemed necessary or appropriate to carry out its responsibilities, but shall meet at least annually. Meetings may be called by the Chairman of the Committee or the Chairman of the Board. All meetings of the Committee shall be held and all of its actions taken pursuant to the Corporation's by-laws. The Committee shall keep regular minutes of its meetings and shall report its actions to the Board of Directors at its next regular meeting.

The Committee shall not delegate any of its authority to any subcommittee.

**III. Goals, Responsibility and Authority**

In carrying out its mission, the Committee shall have the following goals, responsibilities and authority.

- A. Evaluate periodically and make recommendations to the Board the desirability of any changes in the size and composition of the Board of Directors.
- B. Select and recommend nominees for Director following the general and specific criteria set out below.
  - *General Criteria.* Director selection shall insure that the Board of Directors has enough Independent Directors (as defined by the Marketplace Rules of the Nasdaq Stock Market) to satisfy the minimum

number of Independent Directors required to fill all Board and committee positions that must be filled by Independent Directors. These Independent Directors should have appropriate skills, experience and other characteristics.

Subject to the right of the Board of Directors to decide otherwise when deemed appropriate, the Chief Executive Officer of the Corporation generally should be a director. Depending on the circumstances, it may be appropriate to have other members of management or other individuals who are not Independent Directors because of their relationships with the Corporation serve on the Board of Directors.

Every Director should:

- Be an individual of the highest character and integrity; have an inquiring mind; possess vision; have the willingness to ask difficult questions; and have the ability to work well with others.
  - Be free of any conflict of interest that would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director.
  - Be willing to devote sufficient time to the business of the Board of Directors and be diligent in fulfilling the responsibilities of a director and Board Committee member. Specifically, develop and maintain sufficient knowledge of the Corporation and its industry; review and analyze reports and other information important to Board and committee responsibilities; and prepare for, attend and participate in Board and committee meetings.
  - Have the capacity and desire to represent in a balanced way the best interests of the stockholders as a whole, and not a special interest group or constituency.
- *Specific criteria.* In addition to the general criteria outlined above, the Nominating Committee shall develop, re-evaluate at least annually, and modify as appropriate a set of specific criteria that will be used in selecting Directors to enhance the effectiveness of the Board and Board committees.
    - These specific criteria should outline the skills, experience (whether in business or in other areas such as public service, academia or the artistic or scientific communities) and particular areas of expertise that should be represented on the Board.
    - These specific criteria should take into account the desire of the Corporation to have Directors that are knowledgeable about and reside in the specific geographic locations in which the Corporation and its subsidiaries do business.
    - These specific criteria should include the importance of having Directors who have the ability and willingness to refer business to the Corporation and its subsidiaries.
    - These specific criteria should reflect the Corporation's belief that gender and ethnic diversity provide additional perspectives that are helpful to functions performed by the Board of Directors.

- C. Evaluate each new Director candidate and each incumbent Director before recommending that the Board elect, nominate or re-nominate the individual. This evaluation should be based on the extent to which the individual meets the general criteria outlined above and the extent to which they will contribute significantly to satisfying any deficiencies identified in the overall mix of specific criteria.
- D. Diligently seek to identify potential director candidates who will strengthen the Board and remedy any identified deficiencies in the specific criteria that are not found in current Board members.
- E. Submit to the Board the candidates for Director that will be recommended by the Board of Directors at each annual meeting of stockholders and to be added to the Board at other times due to Board expansion, director resignations, retirements or otherwise.

#### **IV. Additional Resources**

The Nominating Committee shall have the right to use reasonable amounts of time of the Company's internal staff in connection with fulfilling its responsibilities. It shall also have the right to hire independent consultants to assist and advise the Committee, but it shall obtain the concurrence of the full Board of Directors in advance of hiring independent consultants.

Adopted 02/11/2004