

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

Purpose and authority

The Risk 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 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

While the Risk 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.

Access to records and advisors

The Risk 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 Committee will comprise three or more directors as determined by the Board. The membership will include a combination of executive and non-executive directors. Committee members and the Risk Committee chairperson will be appointed by the Board. The Risk Committee will report to the full Board.

The Risk Committee will meet quarterly, or more frequently as circumstances dictate. The Risk Committee chairperson will approve the agenda for the Risk Committee meetings, and any member may suggest items for consideration. Each meeting will include an executive session, absent members of management. The Risk Committee may periodically meet with management in separate executive sessions.

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

Responsibilities and Duties

To fulfil its responsibilities and duties, the Risk 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. Review and approve the critical risk management policies, procedures, processes and systems for the identification of, management of, and planning for risks on an enterprise-wide basis.
- G. Periodically review and evaluate the Company's policies and practices with respect to risk assessment and risk management and annually present to the full board a report summarizing the Risk Committee's review of the Company's methods for identifying, managing, and reporting risks and risk management deficiencies.
- H. 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.
- I. Consult with other Board committees on risk-related matters, in such manner as the Risk Committee deems appropriate.
- J. Review minutes and reports from the Company's management-level Risk Committee.

Education, performance assessment and amendments

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

The Risk Committee shall conduct an annual performance self-assessment relative to the Risk Committee's purpose, duties and responsibilities and report to the Board any findings and recommendations.

The Risk 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.