

CHARTER OF THE
COMPENSATION COMMITTEE OF
THE BOARD OF DIRECTORS OF
NEW PEOPLES BANKSHARES, INC.

Purpose

The Compensation Committee is appointed by the Board of Directors ("Board") to discharge the Board's responsibilities relating to compensation of the Company's Chief Executive Officer (the "CEO") and the Company's other executive officers (collectively, and including the CEO, the "Executive Officers"). The Committee has overall responsibility for approving and evaluating all compensation plans, policies and programs of the Company as they affect the Executive Officers. The Committee also has responsibilities to review the Company's general employee compensation and benefit plans.

Committee Membership

The Compensation Committee shall consist of no fewer than three members. The members of the Compensation Committee shall meet the independence requirements of The NASDAQ Stock Market, Inc. listing standards and the rules and regulations of the Securities and Exchange Commission ("SEC").

Each member shall serve until such member's successor is duly designated or until the member's earlier resignation or removal. Any member of the Committee may be removed from the Committee, with or without cause, by a majority vote of the Board.

At least two members of the Compensation Committee shall also qualify as "non-employee" directors within the meaning of Rule 16b-3 of the Securities and Exchange Act of 1934.

The members of the Compensation Committee shall be appointed by the Board on the recommendation of the Nominating Committee. One member of the Compensation Committee shall be appointed as its Chairman by the Board who shall chair all sessions of the Committee and set the agendas for committee meetings.

Meetings

The Compensation Committee shall meet as often as necessary to carry out its responsibilities. The Chairman shall preside at each meeting. In the event the Chairman is not present at a meeting, the Compensation Committee members present at that meeting shall designate one of its members as the acting chair of such meeting. The Committee may meet in executive session as it deems necessary or appropriate.

Committee Responsibilities and Authority

1. The Compensation Committee shall, at least annually, review and approve the annual base salaries and annual incentive opportunities of the Executive Officers. No officer shall be present during any Committee deliberations or voting respecting his or her compensation.
2. The Compensation Committee shall, 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 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 persons who formerly served as Executive Officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.

3. The Compensation Committee shall periodically review the Company's general employee compensation and benefit plans to insure that they are sufficient to attract and retain qualified employees and are competitive with such plans offered by other comparable employers with whom the Company competes for employees and make recommendations as necessary or appropriate for changes in or enhancements to the same.
4. The Compensation Committee shall review and discuss the Compensation Discussion and Analysis (the "CD&A") required to be included in the Company's proxy statement and annual report on Form 10-K by the rules and regulations of 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.
5. The Compensation Committee shall 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.
6. In reviewing salaries, incentives and other compensation awards or plans, the Committee shall take into account any propensity of such awards or plans to encourage manipulation of reported earnings to enhance compensation or take on excessive risk.
7. The Compensation Committee shall receive periodic reports on the Company's compensation programs as they affect all employees.
8. The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist it in the evaluation of Executive Officer compensation and shall have sole authority to approve the consultant's fees and the other terms and conditions of the consultant's retention.
9. The Compensation Committee may form and delegate authority to subcommittees as it deems appropriate.
10. The Compensation Committee, at least annually, shall review this Charter and make any recommendations to the Board for changes as it deems appropriate.