

Peoples Bancorp of North Carolina, Inc.

Governance Committee Charter

I. General

This Charter sets forth the authority and duties of the Governance Committee (the "Committee") of the Board of Directors of Peoples Bancorp of North Carolina, Inc. (the "Company") and its subsidiaries.

The Committee will discharge the Board's responsibility in matters relating to the development and maintenance of the corporate governance policies for the Board.

The Committee will report its activities to the Board and make such recommendations as the Committee deems necessary or appropriate.

The Committee will have the authority to delegate to a subcommittee consisting of one or more members of the Committee such of its duties and responsibilities as it deems appropriate and advisable.

The Committee will review and assess the adequacy of this Charter annually and recommend changes to the Board of Directors when necessary.

II. Membership

The Committee members will be appointed by the Board of Directors each year, and the Chair of the Committee will be designated by the Board.

Committee members will serve at the pleasure of the Board and may be removed by the Board of Directors in its discretion.

The Committee will consist of three or more members, each of whom will satisfy, as determined by the Board of Directors, Securities and Exchange Commission rules and NASDAQ listing standards, including those with respect to independence.

The composition of the Committee and its independence will be reviewed annually by the Board of Directors. Unless the Board elects a Committee Chair, the members of the Committee may elect a Chairman by majority vote. Vacancies occurring for any reason in the Committee shall be filled as such vacancies occur.

III. Meetings

The Committee will meet as often as necessary to fulfill its duties and responsibilities but not less often than one time per year.

Minutes of meetings will be approved by the Committee and maintained.

The Committee may request any officer or employee of the Company, or the Company's outside advisors, or any special counsel or advisors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

IV. Duties and Responsibilities

The Committee will:

- Establish criteria for Board membership and Board “job” description.
- Establish performance criteria for Board members.
- Establish and coordinates annual Board review.
- Establish and maintain Board policies such as attendance, performance, board meeting procedures, director orientation, continuing education program, independent director meetings, assigns and rotates committee members, determines structure of Audit committee and other board committees, establishes management succession plan.
- Maintain and monitor director compliance with Board policies and procedures. Counsels with Board members who do not perform to standards and may recommend to full Board, removal of directors for non-performance.
- Monitor ethics, conflicts of interest and director Code of Conduct.
- Performs duties of Nominating Committee, including providing nominations for director and shareholder votes at the annual meeting.
- Recommend candidates for board membership.
- Interview candidates for board membership.
- Provide for filling of director vacancies between shareholder meetings.
- The Committee establishes criteria for new Board members. For consideration, potential Board members should possess the following attributes: Ethical, integrity, involved in community, successful businessperson, maintain a banking relationship with Peoples Bank, investor in Peoples Bank/Holding Company live in market area, possess financial expertise, and not be a competitor of the bank.
- Periodically review and recommend to the Board, approval of the Charter.

V. Authority

The Committee will have the power to investigate any matters within the scope of its responsibilities. The Committee may engage third-party professionals and advisors, if necessary, at the Bank’s expense.