UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q
(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2009

OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-14773

NATIONAL BANCSHARES CORPORATION
exact name of registrant as specified in its charter

Ohio	34-1518564
State of incorporation	IRS Employer Identification No.

112 West Market Street, Orrville, Ohio 44667
Address of principal executive offices

Registrant's telephone number: (330) 682-1010

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No _____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes __X___ No _____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined in Rule 12b-2 of the Exchange Act. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer [ ] Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes_____ No __X___

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of August 14, 2009.

Common Stock, Without Par Value: 2,202,368 Shares Outstanding

NATIONAL BANCSHARES CORPORATION

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Item 1. Financial Statements

NATIONAL BANCSHARES CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)

(dollars in thousands)

	June 30, 2009	December 31, 2008
ASSETS		
Cash and due from banks	$ 7,113	$ 11,001
Federal funds sold	12,706	--
Total cash and cash equivalents	19,819	11,001
Securities available for sale	131,329	127,248
Restricted equity securities	3,218	3,217
Loans held for sale	99	--
Loans, net of allowance for loan losses:		
June 30, 2009 - $1,992; December 31, 2008 - $1,718	178,036	179,831
Premises and equipment, net	7,912	6,197
Goodwill	4,723	4,723
Identified intangible assets	309	422
Accrued interest receivable	1,324	1,230
Cash surrender value of life insurance	2,719	2,677
Other assets	1,738	1,456
Total assets	$ 351,226	$ 338,002
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest bearing	$ 43,025	$ 46,159
Interest bearing	235,808	217,483
Total deposits	278,833	263,642
Repurchase agreements	6,799	10,469
Federal funds purchased	--	1,830
Federal Reserve note account	275	986
Federal Home Loan Bank advances	24,000	21,000
Accrued interest payable	487	690
Accrued expenses and other liabilities	2,971	2,504
Total liabilities	313,365	301,121
SHAREHOLDERS' EQUITY		
Common stock, no par value; 6,000,000 shares authorized; 2,289,528 shares issued	11,447	11,447
Additional paid-in capital	4,741	4,718
Retained earnings	21,646	20,972
Treasury stock, at cost (87,160 shares)	(1,709)	(1,709)
Accumulated other comprehensive income	1,736	1,453
Total shareholders' equity	37,861	36,881
Total liabilities and shareholders' equity	$ 351,226	$ 338,002

See accompanying notes to consolidated financial statements.

NATIONAL BANCSHARES CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (Unaudited)

(dollars in thousands, except per share data)

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Interest and dividend income				
Loans, including fees	$ 2,564	$ 3,043	$ 5,149	$ 6,210
Securities:				
Taxable	1,409	947	2,873	1,881
Nontaxable	171	169	333	320
Federal funds sold and other	5	37	5	55
Total interest and dividend income	4,149	4,196	8,360	8,466
Interest expense				
Deposits	861	1,151	1,798	2,397
Short-term borrowings	9	39	23	96
Federal Home Loan Bank advances	266	243	530	466
Total interest expense	1,136	1,433	2,351	2,959
Net interest income	3,013	2,763	6,009	5,507
Provision for loan losses	228	71	351	258
Net interest income after provision for loan losses	2,785	2,692	5,658	5,249
Noninterest income				
Checking account fees	259	310	506	606
Visa check card interchange fees	83	84	161	161
Deposit and miscellaneous service fees	32	45	70	96
Mortgage banking activities	122	49	142	63
Securities gains (losses), net	156	(55)	308	(38)
Other	104	84	211	221
Total noninterest income	756	517	1,398	1,109
Noninterest expense				
Salaries and employee benefits	1,340	1,285	2,674	2,525
Data processing	230	244	446	494
Net occupancy	262	222	527	441
FDIC Assessment	279	7	396	14
Professional and consulting fees	134	98	244	190
Franchise tax	81	82	165	166
Maintenance and repairs	37	47	100	120
Amortization of intangibles	57	58	113	116
Telephone	53	45	100	103
Marketing	48	36	96	58
Director fees and pension	57	83	110	142
Other	367	317	709	644
Total noninterest expense	2,945	2,524	5,680	5,013
Income before income tax expense	596	685	1,376	1,345
Income tax expense	142	171	349	340
Net income	454	514	1,027	1,005

(Continued)

NATIONAL BANCSHARES CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (Unaudited)

(Continued)	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Other comprehensive income (loss):				
Unrealized appreciation (depreciation) in fair value of securities available for sale, net of taxes of $46, $794, $(250) and $424	(90)	(1,541)	486	(822)
Reclassification adjustment for realized (gains) losses included in earnings, net of taxes of $53, $(19), $105 and $(13)	(103)	36	(203)	25
Total other comprehensive income (loss), net of taxes	(193)	(1,505)	283	(797)
Comprehensive income (loss)	$ 261	$ (991)	$ 1,310	$ 208
Weighted average basic and diluted common shares outstanding	2,202,368	2,202,368	2,202,368	2,204,068
Basic and diluted earnings per common share	$ 0.21	$ 0.23	$ 0.47	$ 0.46
Dividends declared per common share	$ 0.08	$ 0.16	$ 0.16	$ 0.32

See accompanying notes to consolidated financial statements.

(dollars in thousands, except per share data)

	Six months ended, June 30, 2009	Six months ended, June 30, 2008
Balance at beginning of period	$ 36,881	$ 34,991
Comprehensive income		
Net income	1,027	1,005
Other comprehensive (loss)	283	(797)
Total comprehensive income	1,310	208
Stock-based compensation	23	5
Purchase of 5,017 shares of common stock	--	(86)
Cash dividends declared ($0.16 and $0.32 per share in 2009 and 2008)	(353)	(700)
Balance at end of period	$ 37,861	$ 34,418

See accompanying notes to consolidated financial statements.

NATIONAL BANCSHARES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(dollars in thousands, except per share data)

	Six months ended June 30, 2009	June 30, 2008
Net cash from operating activities	$ 921	$ 539
Cash flows from investing activities		
Securities available for sale		
Proceeds from maturities and repayments	15,611	17,733
Proceeds from sales	5,615	14,303
Purchases	(24,333)	(42,029)
Premises and equipment expenditures, net	(1,989)	(232)
Proceeds from sale of property and equipment	--	13
Proceeds on the sale of other real estate owned	--	97
Purchase of loans	(1,151)	--
Net change in loans	2,517	1,352
Net cash from investing activities	(3,730)	(8,763)
Cash flows from financing activities		
Net change in deposits	15,191	6,661
Net change in short-term borrowings	(6,211)	879
Proceeds from Federal Home Loan Bank advances	4,000	4,000
Repayment of Federal Home Loan Bank advances	(1,000)	--
Dividends paid	(353)	(705)
Purchase of common stock	--	(86)
Net cash from financing activities	11,627	10,749
Net change in cash and cash equivalents	8,818	2,525
Beginning cash and cash equivalents	11,001	12,285
Ending cash and cash equivalents	$ 19,819	$ 14,810
Supplemental Disclosures		
Cash paid for interest	$ 2,554	$ 3,055
Cash paid for income taxes	$ 140	$ 150
Non-cash transfer from loans to other real estate owned	$ 54	$ --
Non-cash transfer from loans to credit card loans held for sale	$ --	$ 1,454

See accompanying notes to consolidated financial statements.

Note 1 – Basis of Presentation

(dollars in thousands)

Company Organization and Financial Presentation
The accompanying consolidated financial statements include the accounts of National Bancshares Corporation (the "Company") and its wholly owned subsidiary, First National Bank, Orrville, Ohio (the "Bank"). The Bank has a minority interest in First Kropf Title, LLC. The Bank's investment in First Kropf Title, LLC is immaterial to the consolidated financial statements. All significant intercompany transactions and balances have been eliminated.

The Company provides a broad range of financial services to individuals and companies in Medina, Stark and Wayne Counties, Ohio. While the Company's chief decision makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all the Company's banking operations are considered by management to be aggregated in one reportable operating segment.

The consolidated balance sheet as of June 30, 2009, the consolidated statements of income and comprehensive income for the three and six month periods ended June 30, 2009 and 2008, and the condensed consolidated statements of changes in shareholders' equity and the condensed consolidated statements of cash flows for the six month periods ended June 30, 2009 and 2008, have been prepared by the Company without audit. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q, but do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These statements should be read in conjunction with the consolidated financial statements and footnotes in the Company's annual report on Form 10-K for the year ended December 31, 2008. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

The Company believes that the disclosures are adequate to make the information presented not misleading; however, the results of operations and other data presented for the periods presented are not necessarily indicative of results to be expected for the entire fiscal year. Management has evaluated all significant events and transactions that occurred after June 30, 2009 through August 14, 2009 (the financial statement issuance date), determining no events require additional disclosure in the consolidated financial statements.

Use of Estimates
To prepare financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ. The allowance for loan losses, fair values of financial instruments and carrying value of intangible assets are particularly subject to change.

Adoption of New Accounting Pronouncements
Accounting for Business Combinations: On December 4, 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141(R), "*Business Combinations*," with the objective to improve the comparability of information that a company provides in its financial statements related to a business combination. SFAS No. 141(R) establishes principles and requirements for how the acquirer: (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The statement does not apply to combinations between entities under common control. The adoption of this statement on January 1, 2009, had no impact on the Company's financial statements and applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

Noncontrolling Interests in Consolidated Financial Statements - In December 2007, the FASB issued Statement No. 160, "*Noncontrolling Interests in Consolidated Financial Statements*," which amends Accounting Research Bulletin No. 51 "*Consolidated Financial Statements*" ("ARB 51"). A noncontrolling interest, also known as a "minority interest", is the portion of equity in a subsidiary not attributable to a parent. The objective of this statement is to improve upon the consistency of financial information that a company provides in its consolidated financial statements. Consistent with SFAS No. 141(R), SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The adoption of this Statement on January 1, 2009 did not have a material impact on the Company's consolidated financial statements.

Disclosures about Derivative Instruments and Hedging Activities - In March 2008, FASB issued SFAS No. 161 "*Disclosures about Derivative Instruments and Hedging Activities*"—an amendment to SFAS No. 133. This statement requires enhanced disclosures about an entity's derivative and hedging activities and therefore should improve the transparency of financial reporting. This new accounting standard is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of this Statement on January 1, 2009, did not have a material impact on the Company's consolidated financial statements.

On April 9, 2009, the FASB issued the following Staff Positions:

- FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP 115-2/124-2");

- FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1/APB28-1"); and

- FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP 157-4").

FSP 115-2/124-2 amends the other-than-temporary impairment ("OTTI") guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of OTTI on debt and equity securities in financial statements. The provisions of FSP 115-2 (i) amend an investor required assertion regarding the ability and intent to hold a security, (ii) bifurcate OTTI between the portion related to a credit loss and the portion related to all other factors, and (iii) require presentation of total OTTI in the income statement with an offset for the amount of OTTI that is recognized in other comprehensive income.

FSP 107-1/APB28-1 amends SFAS No. 107 to require disclosures about fair value of financial instruments for interim reporting periods of publicly-traded companies as well as in annual financial statements.

FSP 157-4 provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have significantly decreased. It also includes guidance on identifying circumstances that indicate a transaction is not orderly.

The provisions of FSP 115-2/124-2, FSP 107-1/APB28-1 and FSP 157-4 were effective for interim periods ending after July 15, 2009. The adoption of these FSPs did not have a material effect on the Company's financial position, results of operations or liquidity but did expand the Company's disclosure about fair values.

In May 2009, the FASB issued Statement No. 165, "Subsequent Events" which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. Statement No. 165 sets forth (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This pronouncement was effective for the period ended June 30, 2009 and did not have a significant impact on the Company's financial statements.

Recently Issued but not yet Effective Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140". This Statement defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. If the transfer does not meet those conditions, a transferor should account for the transfer as a sale only if it transfers an entire financial asset or a group of entire financial assets and surrenders control over the entire transferred asset(s) in accordance with the conditions in paragraph 9 of Statement 140, as amended by this Statement. The special provisions in Statement 140 and FASB Statement No. 65, Accounting for Certain Mortgage Banking Activities, for guaranteed mortgage securitizations are removed to require those securitizations to be treated the same as any other transfer of financial assets within the scope of Statement 140, as amended by this Statement. If such a transfer does not meet the requirements for sale accounting, the securitized mortgage loans should continue to be classified as loans in the transferor's statement of financial position. This Statement requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. This Statement is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. We do not expect that Statement No. 166 will have a material impact on our financial condition, results of operations or financial statement disclosures.

In June 2009, the FASB issued Statement No. 167, "Amendments to FASB Interpretation No. 46(R)". Statement No. 167 amends FASB Interpretation No. 46(R) to requite an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics:

a. The power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance

b. The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. This Statement is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. We do not expect that Statement No. 167 will have a material impact on our financial condition, results of operations or financial statement disclosures.

In June 2009, the FASB issued Statement No. 168, "The FASB Accounting Standards CodificationTM ("Codification") and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162". The Codification will become the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by non-governmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this Statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

Note 2 – Securities

Securities consist of the following at June 30, 2009 and December 31, 2008:

(dollars in thousands)	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
June 30, 2009			
U.S. Government and federal agency	$ 999	$ --	$ --
State and municipal	19,381	336	(220)
Corporate bonds and notes	18,596	203	(472)
Mortgage-backed securities - residential	92,338	2,841	(50)
Equity securities	15	--	(8)
Total	$ 131,329	$ 3,380	$ (750)
December 31, 2008			
State and municipal	$ 16,214	$ 234	$ (193)
Corporate bonds and notes	7,182	5	(453)
Mortgage-backed securities - residential	103,836	2,616	--
Equity securities	16	--	(7)
Total	$ 127,248	$ 2,855	$ (653)

	For the six months ended June 30, 2009	June 30, 2008
Sales of available for sale securities were as follows:		
Proceeds	$ 5,615	$ 14,303
Gross gains	308	248
Gross losses	--	(202)
Impairment loss	--	(84)

The tax provision related to these net realized gains and losses (including other than temporary impairment) was $53 and $(13), respectively for the six months ended June 30, 2009 and 2008.

The fair value of debt securities at June 30, 2009 by contractual maturity were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	Fair Value
Due in one year or less	$ 8,651
Due from one to five years	14,657
Due from five to ten years	7,685
Due after ten years	7,983
Mortgage-backed securities - residential	92,338
Equity securities	15
Total	$ 131,329

Securities pledged at June 30, 2009 and December 31, 2008 had a carrying amount of $33,686 and $30,679 and were pledged to secure public deposits and repurchase agreements.

At June 30, 2009 and December 31, 2008, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

Securities with unrealized losses at June 30, 2009 and December 31, 2008, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less Than 12 Months		12 Months or More		Total	
June 30, 2009	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and municipal	$ 4,480	$ (153)	$ 427	$ (67)	$ 4,907	$ (220)
Corporate bonds and notes	6,442	(56)	567	(416)	7,009	(472)
Mortgage-backed securities - residential	4,237	(50)	--	--	4,237	(50)
Equity securities	23	(8)	--	--	23	(8)
Total temporarily impaired	$ 15,182	$ (267)	$ 994	$ (483)	$ 16,176	$ (750)

Management believes that all of its securities that were reported net of an unrealized loss at June 30, 2009 are the result of fluctuations in interest rates and do not reflect deterioration in the credit quality of the securities. Accordingly management considers these unrealized losses to be temporary in nature. The Company has both the ability and the intent to hold these investment securities until maturity or until such time as fair value recovers above cost.

Note 3 – Allowance for Loan Losses
(dollars in thousands)

The activity in the allowance for loan losses for the periods indicated was as follows:

	For the six months ended	
	June 30, 2009	June 30, 2008
Beginning balance	$ 1,718	$ 2,028
Provision for loan losses	351	258
Loans charged-off	(80)	(747)
Recoveries	3	28
Ending balance	$ 1,992	$ 1,567

Individually impaired loans were as follows:	June 30, 2009	December 31, 2008
Loans with no allocated allowance for loan losses	$ 1,353	$ 396
Loans with allocated allowance for loan losses	1,456	940
Amount of the allowance for loan losses allocated	251	75

The impact on interest income of impaired loans was not significant to the consolidated statements of income.

Impaired loans are generally measured for impairment using the fair value of the collateral supporting the loan. Evaluating impaired loan collateral is based on level 3 inputs utilizing outside appraisals adjusted by management for sales costs and other assumptions regarding market conditions to arrive at fair value.

Nonaccrual loans and loans past due 90 days still on accrual were as follows:

	June 30, 2009	December 31, 2008
Loans past due over 90 days still on accrual	$ 1,434	$ 261
Nonaccrual loans	1,964	1,752

Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

Note 4 – Interest-Rate Swaps
(dollars in thousands)

The Company utilizes interest-rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest-rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest-rate swap agreements.

The Company implemented a program whereby it lends to its borrowers at a fixed rate with the loan agreement containing a two-way yield maintenance provision in the first quarter of 2009. If the borrower prepays the loan, the yield maintenance provision will result in a prepayment penalty or benefit depending on the interest rate environment at the time of the prepayment. This provision represents an embedded derivative which is required to be bifurcated from the host loan contract in accordance with FAS No. 133, *Accounting for Derivatives and Hedging Activities.* As a result of bifurcating the embedded derivative, the Company records the transaction with the borrower as a floating rate loan and a pay floating / receive fixed interest-rate swap. To offset the risk of the interest-rate swap with the borrower, the Company enters interest-rate swaps with outside counterparties that mirror the terms of the interest-rate swap between the Company and the borrower. Both interest-rate swaps are carried as freestanding derivatives with their changes in fair value reported in current earnings. The change in the fair value of the interest-rate swap with borrowers was a decrease of $20 for the first six months ended June 30, 2009, which was offset by an equal decrease in value during the quarter on the interest-rate swaps with outside parties, with the result that there was no impact on income as of June 30, 2009.

Summary information about the interest-rate swaps between the Company and its borrowers is as follows:

Notional amount	$ 1,599
Weighted average receive rate	5.33%
Weighted average pay rate	4.32%
Weighted average maturity (years)	4.5
Fair value of interest-rate swaps	(20)

Summary information about the interest-rate swaps between the Company and outside parties is as follows:

Notional amount	$ 1,599
Weighted average pay rate	5.33%
Weighted average receive rate	4.32%
Weighted average maturity (years)	4.5
Fair value of interest-rate swaps	20

The fair value of the interest-rate swaps at June 30, 2009 is reflected in other assets and other liabilities.

Note 5 – Stock-Based Compensation
(dollars in thousands, except per share information)

The Company's 2008 Equity Incentive Plan ("the Plan"), which is shareholder-approved, permits the grant of stock options to its officers, employees, consultants and non-employee directors for up to 223,448 shares of common stock. Option awards are granted with an exercise price equal to the market price of the Company's common stock at the date of grant; those option awards have vesting periods determined by the Company's compensation committee and have terms that shall not exceed 10 years.

On May 20, 2008, the Company granted options to purchase 58,000 shares of stock to directors and certain key officers. The exercise price of the options is $18.03 per share. The options vest in five equal installments over a five-year period and have a term of 10 years. As of June 30, 2009, 5,000 of the options had been forfeited and all the options were non-dilutive and excluded from the diluted earnings per share calculation.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. (Employee and management options are tracked separately.) The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferrable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The fair value of options granted of $1.83 per option was determined using the following weighted-average assumptions as of grant date.

Risk-free interest rate	3.19%
Expected term (years)	6.5
Expected stock price volatility	13.76%
Dividend yield	3.60%

The total compensation cost that has been charged against income for the plan was $11 and $5 for the quarters ended June 30, 2009 and 2008 and $23 and $5 for the six month periods ended June 30, 2009 and 2008. The total income tax benefit was $4 and $2 for the quarters ended June 30, 2009 and 2008 and $8 and $2 for the six month periods ended June 30, 2009 and 2008. As of June 30, 2009, there was $51 of total unrecognized compensation cost related to nonvested stock options granted under the Plan. The cost is expected to be recognized over a weighted-average period of 3.9 years. At June 30, 2009, 10,600 options are vested and the outstanding options have no intrinsic value. The weighted average remaining contractual term is 8.9 years.

Note 6 – Fair Value

Statement 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the relationship to other benchmark quoted securities (Level 2 inputs).

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements At June 30, 2009 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Available for sale securities	$ 15	$131,314	$ --
Interest rate swaps	--	20	--
Liabilities:			
Interest rate swaps	--	20	--

Assets and Liabilities Measured on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	Fair Value Measurements At June 30, 2009 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Impaired loans	$ --	$ 1,205	$ --

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal amount of $1,456, with a valuation allowance of $251, resulting in an additional provision of $181 for loan loss in the quarter.

Carrying amount and estimated fair values of financial instruments at June 30, 2009 were as follows:

	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents	$ 19,819	$ 19,819
Securities available for sale	131,329	131,329
Loans, net	178,036	174,229
Accrued interest receivable	1,324	1,324
Financial liabilities		
Deposits	(278,833)	(279,680)
Short-term borrowings	(7,074)	(7,074)
Federal Home Loan Bank advances	(24,000)	(24,260)
Accrued interest payable	(487)	(487)

The methods and assumptions used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, interest bearing deposits, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. It was not praticable to determine the fair value of restricted equity stock due to restrictions placed on its transferability. Fair value of debt is based on current rates for similar financing. The fair value of off-balance-sheet items is not considered material.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD-LOOKING INFORMATION

This Form 10-Q contains forward-looking statements as referenced in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to many risks and uncertainties. When used herein, the terms "anticipates," "plans," "expects," "believes," and similar expressions as they relate to the Company or its management are intended to identify such forward looking statements. Actual results could differ materially from those indicated by the forward-looking statements. Risks and uncertainties that could cause or contribute to differences include, changes in the regulatory environment, changes in business conditions and inflation, risks associated with credit quality and other factors discussed in the Company's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2008. The Company assumes no obligation to update any forward-looking statement.

GENERAL

The Company's results of operations are dependent primarily on net interest income, noninterest income and its ability to control costs. Net interest income is the difference ("spread") between the interest income earned on loans and securities and the cost of funds, consisting of interest paid on deposits and borrowed funds. The interest rate spread is affected by regulatory, economic and competitive factors that influence interest rates, loan demand and deposit flows. The Company's net income is also affected by, among other things, loan fee income, provisions for loan losses, service charges, gains on loan sales, operating expenses and franchise and income taxes. The Company's operating expenses principally consist of employee compensation and benefits, occupancy and other general and administrative expenses. The Company's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory authorities. Additionally, future changes in applicable laws, regulations or government policies may also materially impact the Company.

OVERVIEW

Total assets increased to $351.2 million as of June 30, 2009, from $338.0 million at December 31, 2008.

Basic and diluted earnings per share for the first half of 2009 increased 2% to $0.47 per share compared to the same period in 2008. Net income for the first six months of 2009 was $1,027 thousand compared to $1,005 thousand for the same period of 2008 or $.47 and $.46 basic and diluted per share, respectively.

Net interest income for the six month period ended June 30, 2009 increased 9% compared to the same period in 2008 despite a decreasing interest rate environment. Noninterest income for the first half of 2009 increased 26% compared to the same period in 2008 due primarily to $308 thousand in gains on sale of securities, and an increase in mortgage banking activities of $79 thousand, offset by a decrease in checking account fees of $100 thousand. Noninterest expense for the first six months of 2009 increased 13% compared to the same period in 2008 due primarily to an increase of $382 thousand in FDIC deposit insurance premiums and an increase of $149 thousand in salaries and employee benefits. Earnings for the three and six month periods ended June 30, 2009 were negatively impacted by an increase in FDIC assessment rates and a special FDIC assessment levied on all FDIC-insured institutions to restore the Deposit Insurance Fund. The FDIC deposit insurance premiums are anticipated to remain at increased levels for the next several years. The provision for loan losses increased to $351 thousand for the first half of 2009 compared to $258 thousand for the same period in 2008. The income tax expense increased to $349 thousand for the six months ended June 30, 2009 compared to $340 thousand for the same period in 2008.

Office of the Controller of the Currency ("OCC") regulations requires banks to maintain certain minimum levels of regulatory capital. Additionally, the regulations establish a framework for the classification of banks into five categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Generally, an institution is considered well-capitalized if it has a core (Tier 1) capital ratio of at least 5.0% (based on adjusted total assets); a core (Tier 1) risk-based capital ratio of a least 6.0%; and a total risk-based capital ratio of at least 10.0%. The Bank had capital ratios above the well-capitalized levels at June 30, 2009 and December 31, 2008.

The Company is not aware of any market or institutional trends, events or uncertainties that are expected to have a material effect on liquidity, capital resources or operations or any current recommendations by its regulators which would have a material effect if implemented. The Company has not engaged in sub-prime lending activities and does not plan to engage in those activities in the future.

Balance Sheet

Cash and cash equivalents increased $8.8 million to $19.8 million at June 30, 2009.

Securities available for sale increased $4.1 million due to the purchase of $24.3 million of securities, offset by maturities and repayments of $15.6 million and $5.6 million in sales. The net unrealized gains on securities increased to $2.6 million as of June 30, 2009 compared to $2.2 million net unrealized gains on securities as of December 31, 2008.

Loans decreased $1.8 million during the first half of 2009. The loan demand in the Bank's primary market remains soft. However, the Bank continues to focus on enhancing it's ability to originate commercial loans. The Bank opened a temporary full-service office in Fairlawn, Ohio in May, 2009. The office is staffed by four business bankers and one corporate services specialist, who are focused on the sale of Business Financial Services in Summit and Cuyahoga counties. The Bank purchased $1.2 million of automobile loans from another Ohio bank during the first quarter of 2009.

Loans at June 30, 2009 and December 31, 2008 were as follows:

(dollars in thousands)

	June 30, 2009	December 31, 2008
Collateralized by real estate:		
Commercial	$ 51,320	$ 48,034
Residential	52,830	54,924
Home Equity	25,798	24,442
Construction	11,518	12,846
	141,466	140,246
Other:		
Consumer	13,892	14,354
Commercial	23,491	25,583
Other	1,497	1,658
	180,346	181,841
Unearned and deferred income	(318)	(292)
Allowance for loan losses	(1,992)	(1,718)
Total	$ 178,036	$ 179,831

Allowance for loan losses is a valuation allowance for probable credit losses. This account is increased by the provision for loan losses and decreased by charge-offs less recoveries. The allowance balance required is established using the following methodology:

- All problem loans, past due loans and non-performing loans are closely monitored and analyzed by management on an ongoing basis. A classification rating is assigned to problem loans based on information about specific borrower situations and estimated collateral values. These loans are classified as either special mention, substandard, doubtful or loss.
- Specific problem loans, past due loans or non-performing loans are identified and analyzed individually in an effort to determine the expected probable loss on these specifically identified loans.
- For problem loans that are not analyzed individually, a provision is established based on a historical migration analysis. The historical migration analysis identifies the percentage of problem loans that have been ultimately charged-off historically and over what time periods such loans have been charged off. Historical migration percentages are reviewed and adjusted by management to reflect various factors such as the growth and change in mix of the loan portfolio and by Comptroller of the Currency regulatory guidance. Non-individually analyzed loans are pooled and evaluated by loan type. The probable loss on these pooled past due loans is estimated using historical loan loss experience.
- National and local economic conditions and other factors are also considered in determining the adequacy of the allowance for loan losses.
- A percentage of the allowance is allocated to specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.
- The allowance for loan losses is reviewed on a regular basis to determine the adequacy of the allowance.

The allowance for loan losses to total loans outstanding was 1.11% as of June 30, 2009, which is an increase from 0.95% at December 31, 2008. Net charge-offs were $77 thousand for the six months ended June 30, 2009, compared to $719 thousand for the same period in 2008. The year-to-date 2008 charge-offs were primarily related to a $676 thousand partial charge-off of a $1.7 million Summit County commercial real estate loan based on information obtained in the first quarter of 2008.

The ratio of non-performing loans to total loans was 1.88% ($3.4 million) for June 30, 2009 compared to 1.12% ($2.0 million) for December 31, 2008. Non-performing loans consist of loans that have been placed on non-accrual status and loans past due over 90 days and still accruing interest. The increase in non-performing loans is primarily related to $1,230,000 of loans to one borrower, secured by commercial real estate located in Stark County. Loans past due 30 through 89 days and still accruing decreased from $2.1 million as of December 31, 2008 to $0.8 million as of June 30, 2009. Management believes the allowance for loan losses is adequate as of June 30, 2009.

Total deposits increased $15.2 million as of June 30,, 2009 compared to December 31, 2008. Interest bearing demand deposits have increased $24.2 million as many of our customers choose to utilize our premium money market deposit account product instead of time deposits. Historically noninterest-bearing demand accounts have fluctuated based upon the liquidity needs of our customers.

Deposits at June 30, 2009 and December 31, 2008 were as follows:

(dollars in thousands)

	June 30, 2009	December 31, 2008
Demand, noninterest-bearing	$ 43,025	$ 46,159
Demand, interest-bearing	116,711	92,515
Savings	48,626	49,642
Time, $100,000 and over	12,358	12,937
Time, other	58,113	62,389
	$ 278,833	$ 263,642

Shareholders' Equity

Total shareholders' equity increased $980 thousand to $37.9 million as of June 30, 2009 from $36.9 million as of December 31, 2008. Net income for the six months ended June 30, 2009 was $1,027 thousand, while dividends declared were $353 thousand. The Company's Board of Directors approved a reduction in the quarterly cash dividend in March, 2009. The Board of Directors felt it was important to conserve capital by reducing the dividend until such time as economic stability is achieved and the outlook for credit and business becomes clearer. Accumulated other comprehensive income increased from $1.5 million on December 31, 2008 to $1.7 million as of June 30, 2009.

The Bank is subject to regulatory capital requirements. The following is a summary of the actual and required regulatory capital amounts and ratios.

(dollars in thousands)

June 30, 2009	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets	$ 28,209	12.44%	$ 18,148	8.00%	$ 22,685	10.00%
Tier 1 capital to risk-weighted assets	26,217	11.56%	9,074	4.00%	13,611	6.00%
Tier 1 capital to average assets	26,217	7.61%	13,787	4.00%	17,234	5.00%

December 31, 2008	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets	$ 26,730	12.60%	$ 16,971	8.00%	$ 21,213	10.00%
Tier 1 capital to risk-weighted assets	25,012	11.79%	8,485	4.00%	12,728	6.00%
Tier 1 capital to average assets	25,012	7.78%	12,853	4.00%	16,066	5.00%

Statements of Cash Flows

Net cash from operating activities for the first six months of 2009 was $921 thousand compared to $539 thousand for the same period of 2008. Net cash from investing activities for the first six months of 2009 was $(3.7) million, compared to $(8.8) million for the first six months of 2008. Net cash from financing activities was $11.6 million for the first six months of 2009 compared to $10.7 million for the first six months of 2008. The increase in cash and cash equivalents was $8.8 million during the first six months of 2009. Total cash and cash equivalents was $19.8 million as of June 30, 2009 compared to $11.0 million at December 31, 2008.

COMPARISON OF RESULTS OF OPERATIONS FOR THE SIX MONTH PERIODS ENDED June 30, 2009 AND 2008

Net income for the first six months of 2009 was $1,027 thousand or $0.47 per basic and diluted earnings per share, a 2% increase from $1,005 thousand or $0.46 per basic and diluted earnings per share for the same period in 2008. The increase was due primarily from an increase in net interest income and noninterest income, partially offset by an increase in the provision for loan losses and an increase in noninterest expense.

Annualized return on average equity ("ROAE") and average assets ("ROAA") for the first six months of 2009 were 5.48% and 0.60%, respectively, compared with 5.73% and 0.65% for the first six months of 2008.

	Six months ended June 30, 2009,					
	2009			2008		
(dollars in thousands)	Daily Average Balance	Interest	Average yield/cost (1)	Daily Average Balance	Interest	Average yield/cost (1)
Assets						
Interest earning assets:						
Securities:						
Taxable	$ 114,320	$ 2,873	5.14%	$ 73,386	$1,881	5.17%
Nontaxable (tax equivalent basis) (2)	16,944	505	6.10%	16,471	485	6.02%
Federal funds sold	7,180	4	0.11%	3,721	40	2.15%
Interest bearing deposits	773	1	0.26%	948	15	3.16%
Net loans (including nonaccrual loans)	181,583	5,149	5.67%	189,933	6,210	6.54%
Total interest-earning assets	320,800	8,532	5.32%	284,459	8,631	6.07%
All other assets	23,837			22,464		
Total assets	$ 344,637			$ 306,923		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing checking	$ 103,637	656	1.27%	$ 63,875	623	1.95%
Savings	48,856	76	0.31%	52,741	160	0.61%
Time, $100,000 and over	12,998	173	2.66%	12,643	259	4.10%
Time, other	59,800	893	2.99%	66,274	1,355	4.09%
Other funds purchased	35,212	553	3.14%	29,209	562	3.85%
Total interest-bearing liabilities	260,503	2,351	1.80%	224,742	2,959	2.63%
Demand deposits	43,252			43,857		
Other liabilities	3,425			3,268		
Shareholders' equity	37,457			35,056		
Total liabilities and shareholders' equity	$ 344,637			$ 306,923		
Net interest income (tax equivalent basis) (2)		$ 6,181			$5,672	
Interest rate spread (3)			3.52%			3.44%
Net yield on interest-earning assets (4)			3.85%			3.99%
Ratio of average interest-earning assets to average interest-bearing liabilities			123.15%			126.60%

(1) Average yields are computed using annualized interest income and expense for the periods.
(2) Tax equivalence based on highest statutory rate of 34%.
(3) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(4) Net yield on interest-earning assets represents net interest income as a percentage of average interest-earning assets.

Interest and dividend income totaled $8.4 million, a decrease of $106 thousand for the six months ended June 30, 2009 compared to the same period in 2008. Adjusted on a fully tax-equivalent ("FTE") basis the yield on earning assets in the first six months of 2009 was 5.32% compared to 6.07% in the first six months of 2008.

Interest expense totaled $2.4 million, a decrease of $608 thousand or (20.5)% for the six months ended June, 2009 as compared to the same period in 2008. The average cost for interest bearing liabilities was 1.80% compared to 2.63% for the first six months of 2008.

The decrease of 83 basis points from the first six months of 2008 is the result of change in the average volume in the mix of interest bearing liabilities and declining interest rates. During the first six months of 2009 deposit customers continued moving funds from lower rate deposit accounts and certificates of deposit to premium money market accounts.

Net interest income increased $502 thousand, or 9.1% for the six month period ended June 30, 2009 as compared to June 30, 2008. During the first six months of 2009, the interest rate spread increased 8 basis points on a FTE basis when compared to the first six months of 2008.

Provision for loan losses totaled $351 thousand for the first six months of 2009 compared to $258 thousand for the same period in 2008. Non-performing loans were $3.4 million as of June 30, 2009 compared to $2.0 million as of December 31, 2008. Classified loans increased to $5.3 million at June 30, 2009 compared tot $3.9 million as of December 31, 2008. Classified loans are credits that Bank management have graded substandard, doubtful or loss. Loans past due 30 through 89 days and still accruing decreased from $2.1 million as of December 31, 2008 to $0.8 million as of June 30, 2009.

Each quarter, management reviews the adequacy of the allowance for loan losses by reviewing the overall quality and risk profile of the Company's loan portfolio, by reviewing specific problem credits and assessing the potential for losses based on expected cash flows or collateral values, by reviewing trends in problem loan levels, by updating loss history for the Company's loans, by analyzing the growth and change in mix of the portfolio, and by analyzing economic trends that are believed to impact the Company's borrowers. Management reviewed all of these factors and determined the allowance for loan losses was adequate as of June 30, 2009.

Noninterest income for the six months ended June 30, 2009 increased to $1.4 million or 26.1%, from $1.1 million for the same period in 2008. The increase in noninterest income for the six months ended June 30, 2009 was due primarily to gains on sale of securities of $308 thousand. Income from mortgage banking activities more than doubled to $142 thousand for the six months ended June 30, 2009 as Bank management continues to focus on improving mortgage department products and services.

Noninterest expense for the six months ended June 30, 2009 was $5.7 million, an increase of 13.3% from $5.0 million for the same period in 2008. The increase in noninterest expense was due primarily to an increase in the FDIC deposit insurance premium and an increase in salaries and employee benefits. The increase in salaries and benefits is primarily related to the addition of four business bankers and one corporate services specialist for the new Fairlawn office.

Income tax expense was $349 thousand for the six months ended June 30, 2009 which represents an increase of 2.6% compared to the same period in 2008. Higher pre-tax income for the six months ended June 30, 2009 compared to the same period in 2008 is the primary factor causing the increase in income tax expense.

Quarters ended June 30, 2009 and June 30, 2008 income statement highlights:

- Interest income decreased $47 thousand or 1.0%, primarily related to a decrease in loan interest income, partially offset by an increase in interest income from taxable securities.
- Interest expense decreased $297 thousand or 20.7%, primarily related to deposit interest expense.
- The provision for loan losses was $228 thousand in the quarter ended June 30, 2009 compared to $71 for the same period in 2008. The increase in the provision for loan losses was primarily related to an increase in the specific allocation for classified loans.
- Mortgage banking income increased $73 thousand.
- Securities gains (losses), net increased $211 thousand.
- FDIC Assessment expense increased from $7 thousand in the quarter ended June 30, 2008 to $279 thousand for the same period in 2009. The change was due to an increase in FDIC assessment rates and a special FDIC assessment levied on all FDIC-insured institutions to restore the Deposit Insurance Fund.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Economic Value of Equity

The economic value of equity, (EVE), is the difference between the net present value of the assets and the net present value of liabilities. EVE can be thought of as the liquidation value of the Bank on the date the calculation is made. Calculating EVE involves using a discount rate to calculate the net present value of assets and liabilities after making assumptions about the duration of assets and liabilities. As interest rates change, the discount rate changes and the change in interest rates effects the duration of assets and liabilities. If interest rates fall, for example, the duration of loans shortens since borrowers tend to prepay by refinancing their loan. Conversely the duration of loans increases if interest rates rise since borrowers are inclined to hold on to the favorable rate they were able to obtain in the lower interest rate environment.

In 2007, the Board of Directors adopted revised limits on a decline in the economic value of equity (EVE) and earnings at risk (EAR) given changes in interest rates. These limits are that EVE shall not decline by more than 10%, 20% and 30% given a 1%, 2% and 3% increase or decrease in interest rates respectively and that EAR shall not be greater than 8%, 16% or 24% given a 1%, 2% or 3% increase or decrease in interest rates respectively. The following illustrates our equity at risk in the economic value of equity model.

June 30, 2009

Basis Point Change in Rates	+300 bp	+200 bp	+100 bp	-100 bp	-200 bp	-300 bp
Increase (decrease) in EVE	(16.7)%	(9.3)%	(3.6)%	(4.1)%	*nm*	*nm*

nm – not meaningful

December 31, 2008

Basis Point Change in Rates	+300 bp	+200 bp	+100 bp	-100 bp	-200 bp	-300 bp
Increase (decrease) in EVE	(11.0)%	(4.3)%	(0.5)%	(1.8)%	(15.5)%	(28.6)%

The Bank is in compliance with the interest rate risk policy limits related to EVE as of June 30, 2009 and December 31, 2008.

Earnings at Risk

Earnings at risk, is the amount by which net interest income will be affected given a change in interest rates. The interest income and interest expense for each category of earning assets and interest bearing liabilities is recalculated after making up and down assumptions about the change in interest rates. Changes in prepayment speeds and repricing speeds are also taken into account when computing earnings at risk given a change in interest rates.

The following illustrates the effect on earnings or EAR given rate increases of 100 to 300 basis points and decreases in interest rates of 100 to 300 basis points.

June 30, 2009

Basis Point Change in Rates	+300 bp	+200 bp	+100 bp	-100 bp	-200 bp	-300 bp
Increase (decrease) in Earnings	(15.1)%	(9.5)%	(4.4)%	(1.3)%	*nm*	*nm*

December 31, 2008

Basis Point Change in Rates	+300 bp	+200 bp	+100 bp	-100 bp	-200 bp	-300 bp
Increase (decrease) in Earnings	(19.0)%	(12.1)%	(5.7)%	7.8%	1.4%	(5.5)%

nm – not meaningful

The Bank is in compliance with the interest rate risk policy limits related to EAR as of June 30, 2009 and December 31, 2008.

Item 4T. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2009, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were, to the best of their knowledge, effective as of June 30, 2009, in timely alerting them to material information relating to the Company (including its consolidated subsidiary) required to be included in the Company's periodic SEC filings.

There were no changes in the Company's internal controls over financial reporting during the six months ended June, 2009 that materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings – None
Item 1A.	Risk Factors - There have been no significant changes in the Company's risk factors as outlined in the Company's Form 10-K for the period ending December 31, 2008.
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds – None
Item 3.	Defaults Upon Senior Securities - None
Item 4.	Submission of Matters to a Vote of Security Holders – The Company held its Annual Shareholders' Meeting on April 23, 2009, for the purpose of electing four directors for terms ending in 2012. Shareholders received proxy materials containing the information required by this item. Results of shareholder voting were as follows.

Election of Directors:	Bobbi E. Douglas	John L. Muhlbach, Jr.	Victor B. Schantz	Howard J. Wenger
For	1,409,975	1,602,416	1,597,234	1,593,065
Withheld	216,861	24,420	29,602	33,771

The following directors continued their terms of office after the 2009 Annual Shareholders' meeting: Sara S. Steinbrenner, John P. Cook, John W. Kropf, Steve Schmid, David C. Vernon and Albert W. Yeagley

Ratification of Auditors was also approved with the following results:

For	1,605,549	Against	3,143	Abstain	18,144

Item 5.	Other Information – None
Item 6.	Exhibits

Exhibit No. Under Reg. S-K, Item 601	Description of Exhibits	If incorporated by Reference, Documents with Which Exhibit Was Previously Filed with SEC
(3.1)	Amended Articles of Incorporation	Annual Report 10-K filed 3/26/04 File No. 000-14773
(3.2)	Code of Regulations	Annual Report 10-K filed 3/26/04 File No. 000-14773
(10.1)	Directors Defined Benefit Plan Agreement	Annual Report 10-K filed 3/29/01 File No. 000-14773
(10.2)	Employment Agreement entered into By David C. Vernon and National Bancshares and First National Bank	Special Report 8-K filed 12/7/06
(10.3)	Special Separation Agreement of James R. VanSickle	Quarterly Report 10-Q filed 8/14/07 File No. 000-14473
(11)	Computation of Earnings per Share	See Consolidated Statements of Income and Comprehensive Income Page 4
(31.1)	Certification	
(31.2)	Certification	
(32)	Certification	

No other exhibits are required to be filed herewith pursuant to Item 601 of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

National Bancshares Corporation

Date: August 14, 2009 /s/David C. Vernon
David C. Vernon, President and
Chief Executive Officer

Date: August 14, 2009 /s/James R. VanSickle
James R. VanSickle, Chief Financial Officer

Exhibit 31.1

CERTIFICATIONS

I, David C. Vernon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Bancshares Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2009

/s/ David C. Vernon
David C. Vernon, President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, James R. VanSickle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Bancshares Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2009

/s/James R. VanSickle
James R. VanSickle, Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATION OF QUARTERLY REPORT ON FORM 10-Q

OF

NATIONAL BANCSHARES CORPORATION

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009

The undersigned are the President and Chief Financial Officer of National Bancshares Corporation (the "Registrant"). This Certification is made pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Certification accompanies the Quarterly Report on Form 10-Q of the Registrant for the quarterly period ended June 30, 2009.

We certify that such Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

This Certification is executed as of August 14, 2009

/s/ David C. Vernon
David C. Vernon, President and
Chief Executive Officer

/s/ James R. VanSickle
James R. VanSickle, Chief Financial Officer