

PRESS RELEASE

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OTC Bulletin Board - NBOH
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National Bancshares Corporation Announces Third Quarter Earnings

Net income for the quarter ended September 30, 2009 was \$482,000, a decrease of \$92,000 or 16.0% compared to \$574,000 for the same period in 2008. Basic and diluted earnings per share were \$0.22 for the third quarter of 2009, compared to \$0.26 for the third quarter of 2008. Earnings for the quarter were negatively impacted by a \$124,000 increase in the provision for loan losses and a \$105,000 increase in FDIC insurance expense which all banks have been required to pay to the Deposit Insurance Fund.

Other Third Quarter Highlights:

- Net interest income for the quarter ended September 30, 2009 was \$3,072,000, an increase of 8.1% compared to \$2,843,000 for the same period in 2008. The amount represents the second-highest quarterly net interest income in Bank history. Interest income decreased 6.2% and interest expense decreased 34.3% compared to the three months ended September 30, 2009.
- The Bank's Fairlawn office opened in May of 2009 and has generated over \$6 million in loans and over \$3 million in deposits.
- Mortgage banking income increased \$46,000 or 184.0% to \$71,000 from \$25,000 in the third quarter 2008.
- Classified loans increased in the third quarter as borrowers felt the sting of this severe economic environment. Even so, the Bank's classification ratio of 20.24% remained significantly below peer. The classification ratio is calculated by dividing non accrual loans plus classified loans by capital plus the Allowance for Loan Losses.

Year-to-date 2009 Highlights:

- Net income decreased 4.9% for the first nine months of 2009 to \$1,501,000 or \$0.68 per basic and diluted earnings per share from \$1,579,000 or \$0.72 per basic and diluted earnings per share for the nine months ended September 30, 2008. Earnings for the nine months were negatively impacted by a \$217,000 increase in the provision for loan losses and a \$487,000 increase in FDIC insurance expense.
- Net interest income for the first three quarters of 2009 increased 8.8% or \$731,000 to \$9,081,000 from \$8,350,000 in the first nine months of 2008. Interest income decreased 2.9% and interest expense decreased 25.1% compared to the nine months ended September 30, 2008.
- Noninterest income increased 15.1% to \$1,985,000 for the nine months ended September 30, 2009, from \$1,724,000 for the nine months ended September 30, 2008. The Bank recorded net gains on the sale of securities of \$387,000 for the nine months ended September 30, 2009.
- Total loans increased \$4.5 million or 2.5% from \$181.5 million as of December 31, 2008 to \$186.0 million as of September 30, 2009.
- Total deposits have increased \$15.9 million or 6.0% from \$263.6 million as of December 31, 2008 to \$279.5 million as of September 30, 2009.

Orrville, Ohio -- National Bancshares Corporation, the holding company for First National Bank, reported net income of \$482,000 for the quarter ended September 30, 2009, a decrease of 16.0% from \$574,000 for the same period in 2008. Earnings per share were \$0.22 and \$0.26 for the three months ended September 30, 2009 and 2008, respectively.

Net interest income for the quarter ended September 30, 2009 was \$3,072,000, an increase of 8.1% from \$2,843,000 for the same period in 2008. Net interest income was impacted by growth in loans, securities and deposits, a decrease in the yield on earning assets and a decrease in the cost of funds.

Noninterest income for the quarter ended September 30, 2009 decreased to \$595,000 or 3.3%, from \$615,000 for the same period in 2008. Noninterest income in 2009 and 2008 was affected by \$79,000 in net gains on the sale of securities, an \$80,000 loss resulting from the write-down of a foreclosed property during the quarter ended September 30, 2009 and a \$435,000 gain on the sale of the credit card portfolio and \$373,000 in net losses on securities primarily related to the other-than-temporary write-down of FHLMC preferred stock of \$360,000 during the quarter ended September 30, 2008.

Noninterest expense for the quarter ended September 30, 2009 was \$2,806,000, an increase of 9.9% from \$2,554,000 for the same period in 2008. The increase in noninterest expense was due primarily to an increase in the FDIC deposit insurance premium, professional and consulting fees, and salaries and employee benefits. The FDIC deposit

insurance premium expense for the quarter ended September 30, 2009 was \$116,000 compared to \$11,000 for the three months ended September 30, 2008.

Total assets increased to \$357.1 million as of September 30, 2009, from \$338.0 million at December 31, 2008. Securities available for sale totaled \$135.2 million as of September 30, 2009, compared to \$127.2 million at December 31, 2008. Loans, net of allowance for loan losses increased to \$183.8 million as of September 30, 2009, compared to \$179.8 million at December 31, 2008.

Deposits increased to \$279.5 million as of September 30, 2009, compared to \$263.6 million at December 31, 2008. The growth in deposits has occurred primarily in the Bank's premium money market deposit account products. Shareholders' equity increased to \$39.6 million at September 30, 2009, from \$36.9 million at the end of 2008. Accumulated other comprehensive income increased to \$3.2 million as of September 30, 2009, compared to \$1.5 million as of December 31, 2008. The change in accumulated other comprehensive income was a result of an increase in unrealized gains on securities.

The allowance for loan losses increased from \$1,718,000 as of December 31, 2008 to \$2,199,000 at September 30, 2009, or from 0.95% of total loans at year-end 2008 to 1.18% at September 30, 2009. The provision for loan losses for the quarter ended September 30, 2009 was \$250,000, compared to \$126,000 for the same period in 2008. The ratio of non-performing loans to total loans was 2.06% (\$3.8 million) for September 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 greater than 30 days, and still accruing increased from \$2.1 million as of December 31, 2008 to \$2.2 million as of September 30, 2009. Total classified loans increased from \$3,874,000 at December 31, 2008 to \$5,552,000 at September 30, 2009. The aforementioned \$1,230,000 loan relationship is also included in classified loans as of September 30, 2009. Management believes the allowance for loan losses is adequate as of September 30, 2009.

National Bancshares Corporation's subsidiary, First National Bank, is headquartered in Orrville, Ohio with fourteen banking offices in Orrville, Massillon, Fairlawn, Wooster, Apple Creek, Dalton, Kidron, Lodi, Mt. Eaton, Seville and Smithville.

Forward-Looking Statements -- This press release 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. Actual results could differ materially from those indicated by the forward-looking statements. These include factors such as 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.

Selected Consolidated Financial Data

Balance Sheet Data:

<i>dollars in thousands</i>	Sep 30, <u>2009</u>	Jun 30, <u>2009</u>	Mar 31, <u>2009</u>	Dec 31, <u>2008</u>	Sep 30, <u>2008</u>
Cash and cash equivalents	\$15,732	\$19,819	\$11,340	\$11,001	\$9,819
Securities available for sale	135,222	131,329	127,718	127,248	98,382
Loans, net	183,790	178,036	179,515	179,831	198,023
Deposits	279,475	278,833	265,060	263,642	251,010
Repurchase agreements	6,782	6,799	8,122	10,469	11,090
Federal Home Loan Bank advances	27,000	24,000	25,000	21,000	21,000
Shareholders' equity	39,610	37,861	37,766	36,881	34,862
Total assets	357,099	351,226	339,530	338,002	325,381

Income Statement Data:

dollars in thousands, except per share data

	Nine months ended		
	Sep 30, <u>2009</u>	Sep 30, <u>2008</u>	<u>Change</u>
Interest income	\$12,386	\$12,760	(2.9) %
Interest expense	3,305	4,410	(25.1) %
Net interest income	9,081	8,350	8.8 %
Provision for loan losses	601	384	56.5 %
Net interest income after provision for loan losses	8,480	7,966	6.5 %
Noninterest income	1,985	1,724	15.1 %
Noninterest expense:			
Salaries and employee benefits	4,003	3,817	4.9 %
Data processing	670	729	(8.1) %
Net occupancy	789	676	16.7 %
Professional and consulting fees	402	299	34.4 %
FDIC assessment	512	25	1948.0 %
Other	2,110	2,021	4.4 %
Total noninterest expense	8,486	7,567	12.1 %
Income before income taxes	1,979	2,123	(6.8) %
Income taxes	478	544	(12.1) %
Net income	\$1,501	\$1,579	(4.9) %
Earnings per share, basic and diluted	\$0.68	\$0.72	(4.9) %
Weighted average shares outstanding	2,202,368	2,202,503	

	Three months ended		
	Sep 30, <u>2009</u>	Sep 30, <u>2008</u>	<u>Change</u>
Interest income	\$4,026	\$4,294	(6.2) %
Interest expense	954	1,451	(34.3) %
Net interest income	3,072	2,843	8.1 %
Provision for loan losses	250	126	98.4 %
Net interest income after provision for loan losses	2,822	2,717	3.9 %
Noninterest income	595	615	(3.3) %
Noninterest expense:			
Salaries and employee benefits	1,329	1,292	2.9 %
Data processing	224	235	(4.7) %
Net occupancy	262	235	11.5 %
Professional and consulting fees	158	109	45.0 %
FDIC assessment	116	11	954.5 %
Other	717	672	6.7 %
Total noninterest expense	2,806	2,554	9.9 %
Income before income taxes	611	778	(21.5) %
Income taxes	129	204	(36.8) %
Net income	\$482	\$574	(16.0) %
Earnings per share, basic and diluted	\$0.22	\$0.26	(16.0) %
Weighted average shares outstanding	2,202,368	2,202,368	

Quarterly Earnings Summary
Previous Eight Quarters:

dollars in thousands except per share data

	Sep <u>2009</u>	Jun <u>2009</u>	Mar <u>2009</u>	Dec <u>2008</u>
Interest income	\$4,026	\$4,149	\$4,208	\$4,311
Interest expense	954	1,136	1,215	1,375
Net interest income	3,072	3,013	2,993	2,936
Provision for loan losses	250	228	123	98
Net interest income after provision for loan losses	2,822	2,785	2,870	2,838
Noninterest income	595	756	645	609
Noninterest expense	2,806	2,945	2,735	2,606
Income before income taxes	611	596	780	841
Income taxes	129	142	207	226
Net income	\$482	\$454	\$573	\$615
Earnings per share, basic and Diluted	\$0.22	\$0.21	\$0.26	\$0.28
Cash dividends per share	\$0.08	\$0.08	\$0.08	\$0.16
Weighted average shares outstanding	2,202,368	2,202,368	2,202,368	2,202,368

	Sep <u>2008</u>	Jun <u>2008</u>	Mar <u>2008</u>	Dec <u>2007</u>
Interest income	\$4,294	\$4,196	\$4,270	\$4,441
Interest expense	1,451	1,433	1,526	1,718
Net interest income	2,843	2,763	2,744	2,723
Provision for loan losses	126	71	187	120
Net interest income after provision for loan losses	2,717	2,692	2,557	2,603
Noninterest income	615	517	592	602
Noninterest expense	2,554	2,524	2,489	2,387
Income before income taxes	778	685	660	818
Income taxes	204	171	169	215
Net income	\$574	\$514	\$491	\$603
Earnings per share, basic and diluted	\$0.26	\$0.23	\$0.22	\$0.27
Cash dividends per share	\$0.16	\$0.16	\$0.16	\$0.16
Weighted average shares outstanding	2,202,368	2,202,368	2,205,787	2,222,115