

*National
Bancshares
Corporation*

2000 Annual Report

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Financial Highlights

Financial Position

(Year End Balances)	2000	1999	Percentage Change
Total Assets	\$ 200,792,706	\$ 197,402,543	1.72%
Deposits	162,013,585	160,435,348	0.98%
Loans-Net	107,551,674	99,531,223	8.06%
Investment Securities	68,021,052	70,214,050	-3.12%
Shareholders' Equity	28,939,329	26,856,195	7.76%

Summary of Operations

Net Interest Income	\$ 8,804,313	\$ 8,633,998	1.97%
Net Income	2,555,271	2,516,986	1.52%
Regular Cash Dividends	1,119,697	1,078,202	3.85%
Net Income Per Share	1.14	1.12	1.79%
Cash Dividends Per Share	0.50	0.48	4.17%
Book Value Per Share	12.93	12.01	7.66%

National Bancshares Corporation is a one-bank holding company with assets totaling over \$200 million. First National Bank, its subsidiary, is headquartered in Orrville, Ohio. Serving Wayne County, southern Medina County, and parts of Stark and Holmes Counties through eleven banking offices, First National Bank offers a variety of personal and commercial deposit and lending services.

“A man’s true wealth is the good he does in this world.” – Mohammed

First National Bank’s commitment to each individual customer is reinforced by our commitment to the community. The communities we serve are the life-blood of our business. First National has a corporate history dedicated to financially supporting local organizations and charities. Additionally, we take pride in the work and accomplishments of our caring associates. These associates, who work enthusiastically for a variety of organizations, give freely of their time, and serve to remind us all of the importance of community.

First National Bank’s involvement and sponsorship in community events epitomizes family entertainment for hometown America. Concerts at Rehm Pavilion in Orrville, the annual Woosterfest celebration, Christmas in Seville, the Dalton Holidays Festival, and many others, benefit from our support. This support assists the communities we serve and, of course, the families who reside there.

“The banking industry has become a model for the nation,” said Colin L. Powell, founding chairman of America’s Promise – the Alliance for Youth[®]. First National Bank has pledged to help build and strengthen the character and competence of youth with their support of local youth organizations.

Dear Shareholders

While operating results for the year 2000 posted new highs, the gains over the previous year were somewhat modest. Income before income taxes increased \$121 thousand, or 3.9%, above that of 1999. With income taxes increasing \$83 thousand, or 13.1%, net income was up \$38 thousand, or 1.5%, above 1999. Total assets increased approximately \$3.4 million, or 1.7%, above the end of the previous year. Asset growth was driven primarily by an increase in loans. Net loans rose over \$8 million, or 8.1%, above the end of the previous year. Most of the loan activity during this past year was realized in commercial and real estate mortgage loans. Total deposits posted a modest growth of 1%, increasing over \$1.5 million. With Certificates of Deposit being a popular product during this past year, we experienced a movement of some funds from savings and interest-bearing checking into time deposits. Total shareholders’ equity increased by over \$2 million, or 7.8%, above year end 1999. This increase is primarily due to an increase in retained earnings and an increase in the market value of securities available for sale. The difference between the market value and book value of these securities (net of tax) is reflected in accumulated other comprehensive income.

Total cash dividends declared in 2000 equaled 50¢ per share, a 4.2% increase over the total cash dividends declared in 1999. This continues our long-term trend of increasing cash dividends each year.

The stock market during this past year was not particularly kind to financial stocks. The stock values of most financial institutions took quite a beating throughout the year 2000. The price of many financial stocks sold on the over the counter market (OTC), such as ours, tend to follow the regional bank stocks. This trail seems to occur with a varying lag affect. The bid price of our stock declined throughout this past year, hitting a low of \$14.50 on October 3, 2000. It rebounded modestly to \$15.25 by December 31, 2000. With the price of some regional bank stocks climbing near the end of this past year, we are optimistic our stock may also enjoy an upward movement of market value during the year 2001.

In April of this past year, we unveiled a new product in the Visa[®] Check Card. This card can be used in lieu of writing a check when paying for purchases from merchants that accept Visa. The amount of the purchase is automatically deducted from the customer’s checking account. The card will also enable our customers to obtain cash or transfer

funds at any MAC[®] or PLUS[®] Network ATM. This service has been very well received by our customers.

During the fourth quarter of 2000, we totally updated our Internet web site for First National Bank and introduced transactional Online Banking. Besides obtaining information about our products and services, customers can now inquire on their account balances, transfer funds between accounts, or make loan payments online. These transactions are accomplished through our secured Internet site. All transactions are guarded with encryption and passwords for each customer's security and peace of mind. Customers may register for this free service online. Other features of our interactive site allow you to reorder checks, use financial calculators, view current savings rates and check out recent news and bank happenings. If you have not yet seen our site, please visit us on the web at www.fnborrville.com and try our Online Banking demo.

In December, we opened a new drive-up MAC ATM at our Mt. Eaton office bringing 24-hour banking to the community. We also unveiled a new Preferred Savings Account. This account offers a tiered rate of interest as the account balance grows. Customers with a higher balance can realize interest rates like those typically offered on certificates of deposit, with the advantage of having immediate access to these funds. I invite you to stop at any of our offices to learn more about this new savings product.

National Bancshares Corporation, through its subsidiary, First National Bank, also supports the communities we serve through financial contributions and the voluntary efforts of our employees. We financially support more than fifty different community organizations each year. During the past five years, First National Bank has contributed over \$350 thousand to these local organizations. The services *provided* by these groups range from education and youth to medical and social services. Our employees have also given very generously of their time and money to these organizations. During this past year our employees raised over \$20 thousand for charitable causes and donated thousands of hours of their time to support many worthwhile causes in our communities. This personal involvement is indicative of the many high-quality people in our organization. These contributions, and the voluntary efforts of our employees, make our communities a better place to live and work.

/s/ Charles J. Dolezal
Charles J. Dolezal
President and Chairman

First National associates regularly donate to local causes to earn the right to wear blue jeans to work during "Casual for a Cause" day. Customers are also invited to participate, resulting in contributions in excess of \$9,300 for several local causes during 2000.

In 2000, First National associates volunteered over 2,000 hours to civic and charitable involvement. Youth athletic teams, scouting groups, charitable foundations and local non-profit boards comprise only a handful of the organizations benefitting from the time and effort donated by our staff.

Financial Review

National Bancshares Corporation experienced continued success by setting new records in 2000. Total assets grew approximately \$3.4 million ending 2000 at \$200,792,706. This represents a 1.7% increase over the previous year. Average assets also experienced growth in 2000, increasing to approximately \$195.9 million from \$193.7 million in 1999, or an increase of \$2.2 million. Net income in 2000 totaled \$2,555,271 exceeding 1999 net income by approximately 1.5%.

Cash and due from banks amounted to \$7,077,797 and \$8,538,351 at December 31, 2000 and 1999, respectively. This was a decrease of \$1.5 million, or 17.1%. Cash reserves are maintained at appropriate levels in order to meet customer needs with consideration given to security. Excess cash is invested in order to maximize a safe and profitable return on assets. A significant portion of this account represents the normal processing of outgoing cash letters, which represents checks deposited with us that were drawn on other banks.

Federal funds sold were \$8,135,000 and \$8,770,000 as of December 31, 2000 and 1999, respectively. Average balances decreased during the year with 2000 averaging \$5.5 million compared to \$10.0 million during 1999. Federal funds sold are overnight investments with our correspondent banks. This is an investment tool that is used to maximize the earning assets of the bank.

Interest-bearing balances with banks were \$2.0 million as of December 31, 2000 and 1999. Interest-bearing balances averaged \$2.0 million during 2000 and \$1.1 million during 1999.

Securities (Millions of Dollars)		
00	★★★★★★★★★★	\$ 68.0
99	████████████████	70.2
98	★★★★★★★★★★	69.8
97	████████████████	80.9
96	★★★★★★★★★★	76.7

Total securities decreased approximately \$2.2 million ending 2000 at \$68,021,052 compared to \$70,214,050 at the end of 1999. The average balance of taxable securities decreased from \$50.1 million in 1999 to \$49.5 million in 2000. The average balance of nontaxable securities decreased from \$21.5 million in 1999 to \$20.7 million in 2000. The market or fair value of the total portfolio was \$68,686,804 and \$69,673,753 as of December 31, 2000 and 1999, respectively.

U.S. treasury and agency obligations decreased approximately \$1.7 million or 6.4% with balances of \$24,459,079 on December 31, 2000 compared to \$26,127,058 on December 31, 1999. The net market appreciation of this category was approximately \$285 thousand as of December 31, 2000.

Mortgage-backed securities were \$331,043 and \$927,073 on December 31, 2000 and 1999, respectively. This was a decline of \$596 thousand or 64.3%. The net market appreciation of these securities was \$22 thousand on December 31, 2000.

Obligations of states and political subdivisions ended 2000 at \$19,734,709, which was 3.7% lower than the \$20,500,646 balance on December 31, 1999. The net market appreciation was approximately \$506 thousand as of December 31, 2000. To assist in local development, the bank actively purchases bonds issued by local municipalities, school systems and other public entities when opportunities present themselves.

Other securities ended 2000 at \$23,496,221, which was 3.7% higher than the December 31, 1999 balance of \$22,659,273. This group of securities is primarily comprised of high quality corporate bonds and notes. The Corporation also maintains a portfolio of approximately \$1.9 million in equity securities. The net market depreciation was approximately \$340 thousand as of December 31, 2000.

Net loans increased by approximately \$8.0 million, or 8.1% during 2000. Net loan balances were \$107,551,674 and \$99,531,223 on December 31, 2000 and 1999, respectively. Average net loans posted an increase of \$7.4 million with a yearly average of \$104.9 million for 2000.

Loans - Net	
<i>(Millions of Dollars)</i>	
00	★★★★★★★★★★★★★★★★★★★★ \$ 107.6
99	██ 99.5
98	★★★★★★★★★★★★★★★★★★★★ 92.0
97	██ 78.3
96	★★★★★★★★★★★★★★★★★★★★ 78.1

Loans collateralized by real estate totaled \$78,691,814 on December 31, 2000, as compared to \$71,796,670 as of December 31, 1999. All real estate categories, except construction, posted increases in 2000. There was a \$2.0 million increase in commercial mortgage loans and a \$2.9 million increase in residential

mortgage loans. Home equity loans increased \$2.3 million while construction loans decreased \$0.2 million. Loan demand was strong in 2000 due to customers' confidence in the economy.

Consumer loans, totaling \$7,151,394 on December 31, 2000, were 8.9% below the 1999 year end total of \$7,847,553. Commercial loans were \$19,850,559 and \$17,851,661 as of December 31, 2000 and 1999, respectively. Credit card loans decreased 1.6% during the year with balances of \$1,188,297 on December 31, 2000. Other loans decreased \$179 thousand during 2000 ending the year at \$2,273,180.

The allowance for loan losses was \$1,343,124 and \$1,308,630 as of December 31, 2000 and 1999, respectively. The allowance for loan losses to total loans percentages were 1.23% and 1.30% and net charge-offs to total average loans percentages were .03% and .11% for 2000 and 1999, respectively. As with any charge-offs, the bank continues to attempt recovery where feasible. The ratio of non-performing loans to total loans was .13% for 2000 compared to .25% in 1999. The ratio of the allowance for loan losses to non-performing loans was 932% for 2000 compared to 524% for 1999. Non-performing loans consist of loans that have been placed on nonaccrual status. Management reviews the allowance for loan losses on a regular basis to determine the adequacy of the reserve. Management reviews problem loans (loans past due 90 days or more and loans on non-accrual) for unfavorable collectibility factors and assesses the requirement for specific reserves on such credits. For those loans not subject to specific reserves, management reviews previous loan loss experience, general economic conditions and delinquent loan reports to establish appropriate reserves.

Premises and equipment totaled \$2,621,483 on December 31, 2000 as compared to \$2,919,868 on December 31, 1999. During 2000 capital expenditures amounted to \$111 thousand and depreciation was \$409 thousand. Improvements and repairs to bank buildings and equipment are performed as needed to keep them in good working order in an effort to provide convenient and pleasant banking offices to meet our customers' needs.



Total deposits posted a \$1.6 million or 1.0% increase ending 2000 at \$162,013,585, as compared to \$160,435,348 on December 31, 1999. Average deposits decreased from \$159.1 million in 1999 to \$158.1 million in 2000.

Demand deposits, which represent noninterest-bearing checking accounts, ended 2000 at \$28,236,689, which was a decrease of 0.3% from the December 31, 1999 balance of \$28,324,431. Demand deposits fluctuate based on the needs of our customers. The average demand deposit accounts for 2000 were \$26.5 million as compared to \$27.1 million in 1999.

Interest-bearing checking accounts finished 2000 at \$30,414,962 compared to \$32,326,299 a year earlier. This was a decrease of \$1.9 million, or 5.9%. Average balances decreased by \$0.9 million from \$30.8 million in 1999 to \$29.9 million in 2000. Interest-bearing checking accounts include our Negotiable Order of Withdrawal accounts and Money Market Deposit Accounts.

Savings accounts totaled \$39,985,914 on December 31, 2000, approximately \$3.3 million below the end of the previous year. With certificates of deposit being a popular product during 2000, funds moved from savings and interest-bearing checking accounts into time deposits. Average savings accounts decreased from \$43.6 million during 1999 to approximately \$41.3 million in 2000. First National offers both passbook and statement savings accounts.

Time deposits of less than \$100,000 amounted to \$49,317,909 and \$42,306,736 as of December 31, 2000 and 1999, respectively. This represents an increase of \$7.0 million or 16.6%. The increase was due mainly to a special rate offered on our 15-month certificates of deposit. Average time balances of less than \$100,000 increased approximately \$4.3 million giving 2000 an average time deposit balance of \$46.7 million compared to approximately \$42.4 million in 1999.

Time deposits of \$100,000 and over decreased from \$14,239,385 on December 31, 1999 to \$14,058,111 on December 31, 2000. Average time deposits of \$100,000 and over decreased by \$1.4 million from 1999 giving 2000 an average of \$13.7 million.

Securities sold under agreements to repurchase were \$3,949,485 on December 31, 2000 compared to

\$2,057,041 at the end of 1999, or approximately \$1.9 million higher. The Federal Reserve note account balance was \$615,298 and \$1,000,000 as of December 31, 2000 and 1999, respectively. Since loan growth exceeded deposit growth, the Bank obtained advances from the Federal Home Loan Bank. Federal Home Loan Bank advances were \$3,446,086 and \$5,606,641 at December 31, 2000 and 1999, respectively. The average of other funds purchased increased in 2000 to \$8.6 million from \$6.3 million during 1999.

Fifty-four First National associates raised nearly \$3,500 in the 2000 Wayne County Junior Achievement Bowl-A-Thon. These contributions helped provide business education to more than 150 students.

The Board of Directors, on behalf of First National Bank, contributed nearly \$75,000 to charitable organizations during 2000. This generosity upholds the Bank's long-standing commitment to "give back" to the communities we serve.

Shareholders' equity had an ending balance of \$28,939,329 on December 31, 2000. This is an increase of \$2.1 million or 7.8% from the 1999 ending balance of \$26,856,195. The increase is due mainly to retained earnings and an improvement in accumulated other comprehensive income. This growth translates to a \$0.92 increase in book value per share, raising the book value per share to \$12.93 on December 31, 2000, compared to \$12.01 on December 31, 1999. Under the federal risk-based capital regulations, the Bank's total capital to risk-based assets of 19.40% on December 31, 2000 was more than twice the 8% minimum required. The Bank remains in a very favorable position when compared to its peer group in the area of capitalization.

Shareholders' equity reflects the change in accumulated other comprehensive income. This represents the unrealized appreciation or depreciation in the market value of investment securities (net of taxes) that are available for sale. During 2000, accumulated other comprehensive income increased by \$597,722, resulting in an unrealized depreciation balance of \$127,139 at December 31, 2000. A general improvement in the market value of debt and equity investments owned, due to economic conditions and lower interest rates, has increased the market value of securities in the available for sale portfolio.

In summary, the Corporation continued to experience balance sheet growth highlighted by increases of approximately 8.1% in loans, 1.0% in deposits and 7.8% in shareholders' equity.



Liquidity

Liquidity is the consideration of the corporation's ability to meet its necessary outgoing cash flow needs. Cash equivalents for the cash flow statement of \$15.2 million is composed of \$7.1 million in cash and due from banks and \$8.1 million in federal funds sold. Management considers the corporation to be in a satisfactory liquidity position with the ability to meet the demands of its customers and the local economy.

Results of Operations

Net income set a new record high of \$2,555,271 in 2000, or approximately 1.5% over 1999's net income of \$2,516,986. Net income for 1999 was approximately 7.4% above 1998's net income of \$2,344,645. This equates to net income per share of \$1.14 for 2000, \$1.12 for 1999 and \$1.03 for 1998. The primary source of income continues to be interest on loans and other investments with additional revenues generated from fees on non-interest related services.



Interest and fees on loans of \$9,280,026 for 2000 was above 1999 by 12.0%, or approximately \$995 thousand. Interest and fees on loans also increased from 1998 to 1999, improving by 5.9%, or approximately \$461 thousand. The improvement in 2000 was due to an increase in average loan volume and average loan yields. The improvement in 1999 was due to an increase in average loan volume. Average interest yields on loans were 8.85%, 8.50% and 9.25% for 2000, 1999 and 1998, respectively.

Interest on federal funds sold was \$348,202, \$488,523 and \$621,579 for 2000, 1999 and 1998, respectively. The decrease of \$140 thousand in 2000 was the result of lower volume of funds sold. The decrease of \$133 thousand in 1999 was the result of lower average rates and volume of funds sold.

Interest on taxable investment securities, which includes interest-bearing deposits with banks, increased by approximately \$25 thousand ending 2000 at \$3,419,441. This 0.7% increase in interest income was due primarily to an increase in the average investment balances. In 1999, interest on taxable investment securities decreased by approximately \$175 thousand or 4.9% from 1998. This decrease was due to a decrease in average investment balances.

Interest on obligations of states and political subdivisions totaled \$1,166,910 for 2000, which was \$47 thousand or 3.9% below 1999. The average balance of these investments decreased \$884 thousand while the average taxable equivalent yield increased slightly from 8.54% in 1999 to 8.55% in 2000. Interest on obligations of states and political subdivisions

totaled \$1,214,513 for 1999, which was \$6 thousand or 0.5% below 1998. The average balances increased \$49 thousand in 1999 while the average taxable equivalent yield declined from 8.60% to 8.54%.

Total interest and dividend income of \$14,214,579 for 2000 was \$832 thousand higher than 1999's total of \$13,382,607 as a result of the generally higher loan volumes and yields. 1999's total interest income exceeded 1998's by \$147 thousand due primarily to higher loan volumes.

Interest on deposits totaled \$4,898,207 in 2000 as compared to \$4,470,562 in 1999. This \$428 thousand increase, which equaled a 9.6% increase, was due principally to higher average rates on deposits. Comparing 1999 to 1998, interest on deposits decreased \$337 thousand or 7.0%. The decrease was due to lower average rates on deposits.

Interest expense on other funds purchased, which includes Federal Home Loan Bank advances, was \$512,059, \$278,047 and \$191,603 for 2000, 1999 and 1998, respectively. The increases in 2000 and 1999 were primarily the result of higher average balances of Federal Home Loan Bank advances.

Net interest income before provision for loan losses was \$8,804,313, \$8,633,998 and \$8,235,686 for 2000, 1999 and 1998 respectively. This represents an increase of 2.0% in 2000 and 4.8% in 1999. The net interest margin, which is calculated on a tax equivalent basis, was 5.15% for 2000 and 5.14% for 1999 and 1998.

The Bank provides for potential loan losses throughout the year. In 2000 the provision for loan losses was \$62,500. In 1999 and 1998 the provision for loan losses was \$120,000. The total provision for loan losses for the last three years was \$302,500, compared to total net charge-offs of \$191,840 for the same three-year period. The provision for loan losses is based on the Bank's past loan loss experience, current delinquencies, mix and various types of loans, general economic conditions and trends, and an evaluation of the losses inherent in the current loan portfolio.

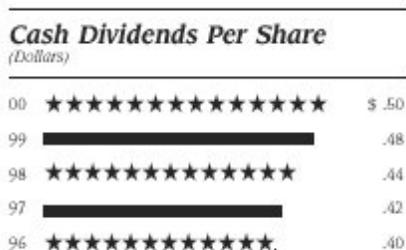
Net interest income after provision for loan losses was \$8,741,813, \$8,513,998 and \$8,115,686 in 2000, 1999 and 1998, respectively. This represents an increase of 2.7% in 2000 and 4.9% in 1999.

Noninterest income totaled \$849,467, \$836,598 and \$874,699 for 2000, 1999 and 1998, respectively. Noninterest income is primarily comprised of checking account fees, which were \$560 thousand in 2000, \$544 thousand in 1999 and \$545 thousand in 1998. Other noninterest income includes safety deposit box rents, net gains/losses on loans sold and other miscellaneous fees and collections.

Noninterest expenses were \$6,318,759 for 2000, \$6,199,427 in 1999 and \$6,051,569 in 1998. This represents a \$119 thousand or 1.9% increase in 2000 and a \$148 thousand or 2.4% increase in 1999. The increase in 2000 was primarily due to higher salaries and employee benefits and miscellaneous other expenses. The higher salaries and employee benefits were mainly due to normal salary increases. The increase in 1999 was due to higher salaries and employee benefits. The higher salaries and employee benefits in 1999 were mainly due to normal salary increases and staffing the new office in Wooster.

The income tax provision amounted to \$717,250, \$634,183 and \$594,171 in 2000, 1999 and 1998, respectively. The increase in net interest income after provision for loan losses and lower nontaxable interest income, offset by higher noninterest expenses resulted in a higher tax provision in 2000. In 1999, the increase in net interest income was the main reason for a higher tax provision. The effective tax rate was 21.9%, 20.1% and 20.2% in 2000, 1999 and 1998, respectively.

Cash dividends declared during 2000 were \$0.50 per share, compared to \$0.48 per share in 1999 and \$0.44 per share in 1998. The dividend payout percentage was 43.82%, 42.84% and 42.72% in 2000, 1999 and 1998, respectively. Return on average equity was 9.08%, 9.22% and 8.71% for 2000, 1999 and 1998, respectively. Return on average assets was a respectable 1.30% in 2000 and 1999, and 1.27% in 1998.



Asset & Liability Management

Management considers interest rate risk to be the Corporation's most significant market risk. Management

focuses on maintaining consistent growth in net interest income, while managing interest rate risk within Board-approved policy limits. The Corporation's Asset/Liability Management Committee, which consists of the Bank's Executive Officers and reports directly to the Board of Directors, monitors and manages interest rate risk in order to maintain an acceptable level of possible change in net interest income as a result of changes in interest rates. The Asset/Liability Management Committee also monitors the Corporation's

First National donates checking account simulation packets to local high schools to help students develop personal financial skills. Associates also speak to students regarding the importance of maintaining a good credit history. On "National Teach Children to Save Day", First National associates stress the value of saving money to students at eight area elementary schools.

First National Bank has a long history of supporting the United Way. In 2000, more than \$17,000 was donated to local United Ways and Community Chests by the Bank and its associates. FNB associates also support United Way by taking leadership roles. These roles include board of trustee positions, citizen review committees and fund-raising committees.

liquidity levels, which were within the Corporation's policy guidelines at December 31, 2000. The Corporation does own certain equity securities, which have more price volatility compared to debt securities and does subject the Corporation to some equity risk. The Corporation does not own any trading assets and is not subject to foreign currency exchange or commodity price risk.

The Corporation uses a gap analysis model as its primary method to identify and manage its interest rate risk. The model measures the difference between the assets and liabilities repricing or maturing within specific time periods. The model also considers prepayment assumptions and estimated paydowns in the loan and investment portfolios. An asset-sensitive position indicates that there are more rate-sensitive assets than rate-sensitive liabilities repricing or maturing within specific time horizons, which would generally imply a favorable impact on net interest income in periods of rising interest rates and a negative impact in periods of falling rates. A liability-sensitive position would generally imply a negative impact on net interest income in periods of rising rates and a positive impact in periods of falling rates.

Management's goal is to manage the Corporation's interest rate risk by maintaining the gap between interest-earning assets and interest-bearing liabilities repricing in a one-year period within a range of plus or minus 10% of total assets.

Gap analysis has limitations because it cannot measure the effect of interest rate movements and competitive pressures on the repricing and maturity characteristics of interest-earning assets and interest-bearing liabilities. The model assumes that certain assets and liabilities of similar maturity or repricing opportunities will react the same to changes in interest rates. However, certain types of financial instruments may react in advance to changes in market rates, while other types of financial instruments may lag behind the change in general market rates.

At December 31, 2000 the Corporation had a negative one year cumulative gap of 2.9% of total assets, indicating a slightly higher balance of rate sensitive liabilities than rate sensitive assets. The estimated impact on the net interest margin from modestly rising or falling interest rates would be relatively insignificant due to the short duration of mismatch within the first 12 months. The following table shows the estimated change in net interest income over 12 months if interest rates were to immediately increase or decrease by 200 basis points.

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income Over 12 Months	
	Dec. 31, 2000	Dec. 31, 1999
+200	-2.6%	-3.7%
-200	1.3%	3.4%

Forward-Looking Statements

The Corporation is not aware of any trend, events or uncertainties that will have or are reasonably likely to have a material affect on the liquidity, capital resources or operations except as discussed herein. Also, the Corporation is not aware of any current recommendations by regulatory authorities which would have such an affect if implemented. The Corporation cautions that any forward-looking statements contained in this report, in a report incorporated by reference to this report or made by management of the Corporation involves risk and uncertainties and are subject to change based on various important factors. Actual results could differ materially from those expressed or implied. Additionally, the Corporation claims no notification responsibilities should their opinions change from those expressed herein.

Impact of New Accounting Standard

A new standard requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows. The standard does not allow hedging of a security, which is classified as held to maturity. Accordingly, companies may reclassify any security from held to maturity upon adoption of the pronouncement if they wish to be able to hedge the security in the future. The standard is effective for the Corporation in 2001.

In January 2001, the Corporation adopted the new standard and transferred securities with an amortized cost of approximately \$30.5 million and a fair value of approximately \$30.7 million from the held to maturity to the available for sale category to take advantage of the flexibility provided by this classification. The transfer had a

positive impact on the corporation's capital, net of taxes, of approximately \$134 thousand.

Price Ranges of Common Stock

The stock prices below reflect inter-dealer bid prices, without adjustments for retail markups, markdowns or commissions and may not represent actual transactions.

	2000	High	Low	Dividends Per Share
First Quarter		\$ 24.50	\$ 19.50	\$.120
Second Quarter		20.00	16.87	.120
Third Quarter		17.25	16.75	.120
Fourth Quarter		17.00	14.50	.140

	1999	High	Low	Dividends Per Share
First Quarter		\$ 29.00	\$ 29.00	\$.100
Second Quarter		30.00	29.00	.100
Third Quarter		30.00	27.00	.100
Fourth Quarter		27.12	20.50	.180

The Heart Walk, a local fund- raiser to support the American Heart Association, benefitted from First National's corporate sponsorship in 2000. In addition, a team of First National associates walked the five-mile course to raise \$868.

Shareholder Information

Corporate Office

National Bancshares Corporation
112 West Market Street
P.O. Box 57
Orrville, Ohio 44667
(330)682-1010
www.fnborrville.com

Stock Trading Information

The shares of common stock of National Bancshares Corporation are traded on the local over-the-counter market primarily with brokers in the Corporation's service area. The ticker symbol for National Bancshares Corporation is NBOH.

Form 10-K

A copy of the Corporation's 2000 Annual Report on Form 10-K as filed with the SEC will be furnished free of charge to shareholders upon written request to the company.

Shareholder Assistance and Transfer Agent

Shareholders with questions are invited to write or call the Transfer Agent, Registrar and Transfer Company, 10 Commerce Drive, Cranford, NJ 07016, 1-800-368-5948 or National Bancshares Corporation, Shareholder Services Department, at (330)682-1030. Registrar and Transfer Company can also be contacted by e-mail at invrelations@rtco.com. Their website is rtco.com.

Dividend Reinvestment Plan

This plan makes available an opportunity to increase ownership of National Bancshares Corporation common stock through the automatic reinvestment of all or part of the dividends paid to shareholders without paying brokerage commissions or service charges.

Dividend Direct Deposit Plan

This plan permits shareholders to electronically deposit cash dividends to their checking or savings accounts. This free service provides a convenient and safe method of receiving dividend payments.

Consolidated
Balance Sheets
December 31, 2000 and 1999

	2000	1999
<i>Assets</i>		
Cash and due from banks	\$ 7,077,797	\$ 8,538,351
Federal funds sold	8,135,000	8,770,000
Total cash and cash equivalents	15,212,797	17,308,351
Interest-bearing time deposits with other banks	1,989,440	1,985,122
Securities available for sale	20,168,513	19,538,195
Securities held to maturity (fair value 2000 – \$48,518,291; 1999 – \$50,135,558)	47,852,539	50,675,855
Federal bank stock	975,800	928,000
Loans, net of allowance for loan losses 2000 – \$1,343,124; 1999 – \$1,308,630	107,551,674	99,531,223
Accrued interest receivable	1,492,613	1,344,846
Premises and equipment, net	2,621,483	2,919,868
Other assets	2,927,847	3,171,083
TOTAL	\$ 200,792,706	\$ 197,402,543
<i>Liabilities and Shareholders' Equity</i>		
Deposits	\$ 162,013,585	\$ 160,435,348
Repurchase agreements	3,949,485	2,057,041
Federal Reserve note account	615,298	1,000,000
Federal Home Loan Bank advances	3,446,086	5,606,641
Accrued expenses and other liabilities	1,828,923	1,447,318
Total liabilities	171,853,377	170,546,348
Shareholders' Equity:		
Common stock, no par value; 6,000,000 shares authorized; 2,289,528 shares issued	11,447,640	11,447,640
Additional paid-in-capital	4,689,800	4,689,800
Accumulated other comprehensive income (loss)	(127,139)	(724,861)
Retained earnings	14,292,805	12,981,399
Less 51,384 and 52,740 treasury shares —at cost	(1,363,777)	(1,537,783)
Total shareholders' equity	28,939,329	26,856,195
TOTAL	\$ 200,792,706	\$ 197,402,543

See accompanying notes to consolidated financial statements.

Consolidated
Statements of Income
Years Ended December 31, 2000, 1999 and 1998

	2000	1999	1998
INTEREST AND DIVIDEND INCOME:			
Loans, including fees	\$ 9,280,026	\$ 8,284,749	\$ 7,823,312
Federal funds sold	348,202	488,523	621,579
Securities:			
Taxable	3,419,441	3,394,822	3,569,761
Nontaxable	1,166,910	1,214,513	1,220,486
Total interest and dividend income	<u>14,214,579</u>	<u>13,382,607</u>	<u>13,235,138</u>
INTEREST EXPENSE:			
Deposits	4,898,207	4,470,562	4,807,849
Short-term borrowings	181,576	176,391	191,603
Federal Home Loan Bank advances	330,483	101,656	—
Total interest expense	<u>5,410,266</u>	<u>4,748,609</u>	<u>4,999,452</u>
NET INTEREST INCOME	8,804,313	8,633,998	8,235,686
PROVISION FOR LOAN LOSSES	<u>62,500</u>	<u>120,000</u>	<u>120,000</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>8,741,813</u>	<u>8,513,998</u>	<u>8,115,686</u>
NONINTEREST INCOME			
Checking account fees	559,750	543,631	545,212
Other	289,717	292,967	329,487
Total noninterest income	<u>849,467</u>	<u>836,598</u>	<u>874,699</u>
NONINTEREST EXPENSE			
Salaries and employee benefits	3,353,392	3,183,466	2,959,396
Data processing fees	653,001	709,038	761,320
Net occupancy expense	216,918	206,157	245,834
Depreciation – furniture and fixtures	306,831	315,366	276,490
Franchise taxes	302,164	318,316	352,211
Maintenance and repairs	173,445	203,534	157,232
Other	1,313,008	1,263,550	1,299,086
Total noninterest expense	<u>6,318,759</u>	<u>6,199,427</u>	<u>6,051,569</u>
INCOME BEFORE INCOME TAXES	3,272,521	3,151,169	2,938,816
INCOME TAX EXPENSE	717,250	634,183	594,171
NET INCOME	<u>\$ 2,555,271</u>	<u>\$ 2,516,986</u>	<u>\$ 2,344,645</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	<u>2,240,534</u>	<u>2,253,650</u>	<u>2,281,166</u>
BASIC EARNINGS PER COMMON SHARE	<u>\$ 1.14</u>	<u>\$ 1.12</u>	<u>\$ 1.03</u>

See accompanying notes to consolidated financial statements.

*Consolidated***Statements of Changes in Shareholders' Equity**

Years Ended December 31, 2000, 1999 and 1998

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance, January 1, 1998	\$11,447,640	\$ 4,689,800	\$ 91,755	\$10,137,118	\$ (188,520)	\$ 26,177,793
Comprehensive income:						
Net income				2,344,645		2,344,645
Other comprehensive income (loss)			(266,269)			(266,269)
Total comprehensive income						2,078,376
Stock split (2 for 1)						
Cash dividends declared, \$.44 per share				(1,001,743)		(1,001,743)
Shares issued under dividend reinvestment plan (6,867 shares)				42,985	139,921	182,906
Purchase of 8,563 treasury shares					(244,450)	(244,450)
Balance, December 31, 1998	11,447,640	4,689,800	(174,514)	11,523,005	(293,049)	27,192,882
Comprehensive income:						
Net income				2,516,986		2,516,986
Other comprehensive income (loss)			(550,347)			(550,347)
Total comprehensive income						1,966,639
Cash dividends declared, \$.48 per share				(1,078,202)		(1,078,202)
Shares issued under dividend reinvestment plan (5,144 shares)				19,610	135,054	154,664
Purchase of 47,296 treasury shares					(1,379,788)	(1,379,788)
Balance, December 31, 1999	11,447,640	4,689,800	(724,861)	12,981,399	(1,537,783)	26,856,195
Comprehensive income:						
Net income				2,555,271		2,555,271
Other comprehensive income			597,722			597,722
Total comprehensive income						3,152,993
Cash dividends declared, \$.50 per share				(1,119,697)		(1,119,697)
Shares issued under dividend reinvestment plan (11,694 shares)				(124,168)	348,620	224,452
Purchase of 10,338 treasury shares					(174,614)	(174,614)
Balance, December 31, 2000	<u>\$11,447,640</u>	<u>\$ 4,689,800</u>	<u>\$ (127,139)</u>	<u>\$14,292,805</u>	<u>\$ (1,363,777)</u>	<u>\$ 28,939,329</u>

See accompanying notes to consolidated financial statements.

*Consolidated***Statements of Cash Flows****Years Ended December 31, 2000, 1999 and 1998**

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 2,555,271	\$ 2,516,986	\$ 2,344,645
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	62,500	120,000	120,000
Depreciation, amortization and accretion	352,948	492,404	539,665
Federal Home Loan Bank stock dividend	(47,800)	(43,500)	(41,700)
Gain on sale of loans	—	—	(43,395)
Change in deferred taxes	(12,888)	16,089	(132,022)
Change in other assets and liabilities	215,686	(207,856)	178,974
Net cash from operating activities	<u>3,125,717</u>	<u>2,894,123</u>	<u>2,966,167</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in interest-bearing deposits with banks	(4,318)	(1,985,122)	—
Securities held to maturity			
Proceeds from maturities and repayments	6,321,926	13,128,950	20,015,915
Purchases of investments	(3,410,530)	(7,019,241)	(6,462,252)
Securities available for sale			
Proceeds from maturities and repayments	3,310,000	2,090,000	1,860,000
Purchases of investments	(3,010,892)	(9,447,626)	(4,761,674)
Capital expenditures	(110,789)	(681,203)	(543,152)
Net increase in loans to customers	(8,082,951)	(7,614,148)	(13,855,902)
Net cash from investing activities	<u>(4,987,554)</u>	<u>(11,528,390)</u>	<u>(3,747,065)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in demand and savings accounts	(5,251,662)	(1,449,426)	6,023,645
Net change in time deposits	6,829,899	4,170,223	609,050
Net change in short-term borrowings	1,507,742	(986,818)	(533,107)
Proceeds from Federal Home Loan Bank advances	1,000,000	6,700,000	—
Repayments of Federal Home Loan Bank advances	(3,160,555)	(1,093,359)	—
Dividends paid	(1,208,979)	(1,063,000)	(980,647)
Dividends reinvested	224,452	154,664	182,906
Purchase of treasury shares	(174,614)	(1,379,788)	(244,450)
Net cash from financing activities	<u>(233,717)</u>	<u>5,052,496</u>	<u>5,057,397</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,095,554)	(3,581,771)	4,276,499
BEGINNING CASH AND CASH EQUIVALENTS	17,308,351	20,890,122	16,613,623
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 15,212,797</u>	<u>\$ 17,308,351</u>	<u>\$ 20,890,122</u>
SUPPLEMENTAL DISCLOSURES			
Cash paid for interest	\$ 5,105,860	\$ 4,758,088	\$ 5,010,902
Cash paid for income taxes	625,000	690,000	632,762

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended December 31, 2000, 1999 and 1998

1. Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation: The consolidated financial statements include National Bancshares Corporation and its wholly-owned subsidiary, First National Bank, Orrville, Ohio, together referred to as “the Corporation.” Intercompany transactions and balances are eliminated in consolidation.

The Corporation provides financial services through its offices in Orrville, Ohio, and surrounding communities. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Most loans are secured by specific items of collateral including business assets, consumer assets and real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Other financial instruments, which potentially represent concentrations of credit risk, include deposit accounts in other financial institutions and federal funds sold.

Segments: As noted above, the Corporation provides a broad range of financial services to individuals and companies in northern Ohio. While the Corporation’s chief decision makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Corporation-wide basis. Accordingly, all of the Corporation’s banking operations are considered by management to be aggregated in one reportable operating segment.

Use of Estimates: To prepare financial statements in conformity with 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 future results could differ. The allowance for loan losses, fair values of financial instruments and fair values of certain securities are particularly subject to change.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with original maturities under 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions and deposits with other banks.

Securities: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income. Other securities such as Federal Home Loan Bank stock are carried at cost.

Interest income includes amortization of purchase premium or discount. Gains and losses on sales are based on the amortized cost of the security sold. Securities are written down to fair value when a decline in fair value is not temporary.

Loans: Loans are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for loan losses. Loans held for sale are reported at the lower of cost or market, on an aggregate basis.

Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Interest income is not reported when full loan repayment is in doubt, typically when the loan is impaired or payments are past due over 90 days. Payments received on such loans are reported as principal reductions.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required using past loan loss experience, known and inherent risks in the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management’s judgment, should be charged-off.

A loan is impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage, consumer, and credit card loans, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan’s existing rate or at the fair value of

collateral if repayment is expected solely from the collateral.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value when acquired, establishing a new cost basis. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed over the asset useful lives on the straight-line basis.

Intangibles: Purchased intangibles, including goodwill of \$261,000 and core deposit value of \$75,000 at year-end 2000, are recorded at cost and amortized over the estimated life. Goodwill amortization is straight-line and core deposit amortization is accelerated.

Long-term Assets: These assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at discounted amounts.

Repurchase Agreements: Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Benefit Plans: Retirement plan expense is the amount of required matching contributions plus any discretionary contributions as determined by Board decision. Deferred compensation plan expense allocates the benefits over the estimated years of service.

Income Taxes: Income tax expense is the total of the current-year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Financial Instruments: Financial instruments include credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer-financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay.

Earnings Per Common Share: Earnings per common share are calculated based on the weighted average number of shares outstanding during the period. There are no potentially dilutive instruments. During 1998, the Corporation declared a 2-for-1 stock split effected in the form of a 100% stock dividend.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, which is also recognized as a separate component of equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and limit the dividends paid by the bank to the holding company. Dividends paid by the bank to the holding company are the primary source of funds for dividends by the holding company to its shareholders.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Impact of Recent Accounting Standards: In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000 with early adoption encouraged for any fiscal quarter beginning July 1, 1998 or later, with no retroactive application. The Corporation adopted SFAS No. 133 effective January 1, 2001. SFAS No. 133 requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows. SFAS No. 133 does not allow hedging of a security which is classified as held to maturity, accordingly upon adoption of SFAS No. 133, companies may reclassify any security from held to maturity to available for sale if they wish to be able to hedge the security in the future. As a result, the Company transferred \$30,458,397 of securities classified as held to maturity to available for sale. The unrealized gain at the time the securities were transferred was approximately \$203,588. The after tax effect of the transfer was to increase equity by \$134,368 and is shown as cumulative effect

adjustment in other comprehensive income. The adoption of SFAS No. 133 did not have any other significant impact on the Company's financial statements.

2. Securities

Year-end securities are as follows:

	December 31, 2000			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale:				
U.S. Government and federal agency	\$ 4,967,267	\$ 68,045	\$ (5,000)	\$ 5,030,312
State and Municipal	2,296,630	44,381	(444)	2,340,567
Corporate bonds and notes	10,816,204	169,842	(80,474)	10,905,572
Total debt securities	18,080,101	282,268	(85,918)	18,276,451
Equity securities	2,281,047	131,500	(520,485)	1,892,062
Total	<u>\$ 20,361,148</u>	<u>\$ 413,768</u>	<u>\$ (606,403)</u>	<u>\$ 20,168,513</u>
Held to Maturity:				
U.S. Government and federal agency	\$ 19,428,767	\$ 257,726	\$ (35,597)	\$ 19,650,896
State and Municipal	17,394,142	476,061	(13,897)	17,856,306
Mortgage-backed	331,043	21,672	-	352,715
Corporate bonds and notes	10,698,587	56,035	(96,248)	10,658,374
Total	<u>\$ 47,852,539</u>	<u>\$ 811,494</u>	<u>\$ (145,742)</u>	<u>\$ 48,518,291</u>

[Additional columns below]

[Continued from above table, first column(s) repeated]

	December 31, 1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale:				
U.S. Government and federal agency	\$ 6,964,005	\$ -	\$ (164,006)	\$ 6,799,999
State and Municipal	2,805,214	25,759	(104,499)	2,726,474
Corporate bonds and notes	8,586,202	906	(243,148)	8,343,960
Total debt securities	18,355,421	26,665	(511,653)	17,870,433
Equity securities	2,281,047	20,400	(633,685)	1,667,762
Total	<u>\$ 20,636,468</u>	<u>\$ 47,065</u>	<u>\$ (1,145,338)</u>	<u>\$ 19,538,195</u>
Held to Maturity:				
U.S. Government and federal agency	\$ 19,327,059	\$ 133,908	\$ (579,589)	\$ 18,881,378
State and Municipal	17,774,172	391,800	(229,792)	17,936,180
Mortgage-backed	927,073	21,334	(4,033)	944,374
Corporate bonds and notes	12,647,551	24,632	(298,557)	12,373,626
Total	<u>\$ 50,675,855</u>	<u>\$ 571,674</u>	<u>\$ (1,111,971)</u>	<u>\$ 50,135,558</u>

There were no sales of securities in any period presented.

Contractual maturities of debt securities at year-end 2000 were as follows.

	Amortized Cost	Fair Value
Available for Sale:		
Due in one year or less	\$ —	\$ —
Due from one to five years	6,140,512	6,243,261
Due from five to ten years	9,642,958	9,692,623
Due after ten years	2,296,631	2,340,567
Total	<u>\$ 18,080,101</u>	<u>\$ 18,276,451</u>

	Amortized Cost	Fair Value
Held to Maturity:		
Due in one year or less	\$ 7,051,757	\$ 7,069,590
Due from one to five years	19,435,662	19,863,111
Due from five to ten years	16,283,512	16,374,278
Due after ten years	5,081,608	5,211,312
	<u>\$ 47,852,539</u>	<u>\$ 48,518,291</u>

Securities pledged at year-end 2000 and 1999 had carrying values of \$33,104,000 and \$32,313,000, and were pledged to secure public deposits and repurchase agreements.

3. Loans

Loans at year-end were as follows:

	2000	1999
Collateralized by real estate:		
Commercial	\$ 27,005,236	\$ 25,030,907
Residential	42,063,386	39,206,446
Home equity	8,612,004	6,334,052
Construction	1,011,188	1,225,265
	<u>78,691,814</u>	<u>71,796,670</u>
Consumer	7,151,394	7,847,553
Commercial	19,850,559	17,851,661
Credit cards	1,188,297	1,207,352
Other	2,273,180	2,452,641
	<u>109,155,244</u>	<u>101,155,877</u>
Unearned and deferred income	(153,114)	(162,866)
Unamortized discount on purchased loans	(107,332)	(153,158)
	<u>108,894,798</u>	<u>100,839,853</u>
Allowance for loan losses	(1,343,124)	(1,308,630)
	<u>\$107,551,674</u>	<u>\$ 99,531,223</u>

Activity in the allowance for loan losses for the year was as follows.

	2000	1999	1998
Beginning balance	\$ 1,308,630	\$ 1,296,513	\$ 1,232,464
Provision for loan losses	62,500	120,000	120,000
Loans charged-off	(56,737)	(145,959)	(135,408)
Recoveries	28,731	38,076	79,457
Ending balance	<u>\$ 1,343,124</u>	<u>\$ 1,308,630</u>	<u>\$ 1,296,513</u>

Impaired loans were as follows:

	2000	1999
Year-end loans with no allocated allowance for loan losses	\$ —	\$ —
Year-end loans with allocated allowance for loan losses	14,863	60,580
Amount of the allowance for loan losses allocated	14,863	32,884
Average of impaired loans during the year	\$ 21,178	\$ 45,757
Interest income recognized during impairment	4,315	4,066
Cash-basis interest income recognized	4,315	4,066

Loans past due over 90 days and still accruing interest at year-end 2000 and 1999 were \$112,094 and \$225,000. Nonaccrual loans for the same periods were \$144,130 and \$250,000.

4. Premises and Equipment

Year-end premises and equipment were as follows:

	2000	1999
Land	\$ 446,070	\$ 446,070
Buildings	3,558,760	3,520,337
Furniture, fixtures and equipment	3,311,697	3,278,293
	<u>7,316,527</u>	<u>7,244,700</u>
Less: Accumulated depreciation	4,695,044	4,324,832
	<u>\$ 2,621,483</u>	<u>\$ 2,919,868</u>

Depreciation included in noninterest expense was \$409,174, \$411,440 and \$370,105 in 2000, 1999 and 1998.

5. Deposits

Year-end deposits were as follows:

	2000	1999
Demand, noninterest-bearing	\$ 28,236,689	\$ 28,324,431
Demand, interest-bearing	30,414,962	32,326,299
Savings	39,985,914	43,238,497
Time, \$100,000 and over	14,058,111	14,239,385
Time, other	49,317,909	42,306,736
	<u>\$ 162,013,585</u>	<u>\$ 160,435,348</u>

A summary of time deposits at year-end 2000 by maturity follows:

	2000
2001	\$ 51,636,509
2002	7,402,225
2003	3,618,848
2004	699,468
2005 and thereafter	18,970
	<u>\$ 63,376,020</u>

6. Federal Home Loan Bank Advances

At year-end, advances from the Federal Home Loan Bank were as follows:

	2000	1999
Maturities through 2002, fixed rate at 6.5%	\$ 2,446,086	\$ 3,606,641
Maturity in 2000 variable rate at 6.0%	-	2,000,000
Maturity in 2010, fixed rate at 6.26% convertible to variable rate if 3-month LIBOR is at or above predetermined conversion	1,000,000	-
Total	<u>\$ 3,446,086</u>	<u>\$ 5,606,641</u>

Each advance is payable at its maturity date; advances may be paid prior to maturity with a prepayment penalty. The Bank has \$33,940,000 of first mortgage loans available under a blanket lien arrangement at year-end 2000.

Minimum required principal payments are:

	<i>Rate</i>		
2001	6.50%	\$	1,238,279
2002	6.50%		1,207,807
2010	6.26%		1,000,000
		\$	<u>3,446,086</u>

7. Repurchase Agreements

Repurchase agreements generally mature within thirty days from the transaction date. Information concerning repurchase agreements is summarized as follows:

	2000	1999
Average balance during the year	\$ 3,090,913	\$ 4,164,589
Average interest rate during the year	4.87%	3.68%
Maximum month-end balance during the year	4,558,650	5,976,150

8. Benefit Plans

The Corporation has a 401(k) retirement plan that covers substantially all employees. The plan allows employees to contribute up to 15% of their pay with the Corporation matching 50% of contributions up to 6% of an employee's pay. Discretionary contributions may also be made to the plan. Total matching and discretionary contributions made by the Corporation during 2000, 1999 and 1998 amounted to \$112,011, \$106,711 and \$100,814, respectively.

The Corporation has an Employee Stock Purchase Incentive Plan for full-time employees. Under the Plan, each employee is entitled to receive a cash payment equal to 20% of the purchase price of Corporation common stock acquired by the employee on the open market, up to a maximum of 100 shares per calendar year.

The Corporation has a director retirement and death benefit plan for the benefit of all members of the Board of Directors. The plan is designed to provide an annual retirement benefit to be paid to each director upon retirement from the board. The retirement benefit provided to each director is an annual benefit equal to \$1,000 for each year of service on the board after August 24, 1994. In addition, each director has the option of deferring any portion of directors' fees to a maximum of \$1,000 per month until retirement. Expense recognized in 2000, 1999 and 1998 for this plan was \$48,232, \$32,127 and \$35,476, respectively.

9. Income Taxes

The components of deferred taxes were as follows:

	2000	1999
Deferred tax assets:		
Bad debts	\$ 296,532	\$ 284,804
Deferred loan fees	49,552	52,758
Core deposit intangibles	39,258	37,552
Deferred compensation	126,892	102,162
Capital loss carryforward	67,694	69,439
Unrealized securities losses	65,496	373,413
Total	<u>\$ 645,424</u>	<u>\$ 920,128</u>

	2000	1999
Deferred tax liabilities:		
Securities accretion	\$ 33,800	\$ 34,896
Depreciation	70,448	77,503
Federal Home Loan Bank stock dividends	43,724	21,131
Investment financial stock fund	104,193	98,310
Total	<u>252,165</u>	<u>231,840</u>
Net deferred tax asset	<u>\$ 393,259</u>	<u>\$ 688,288</u>

The capital loss carryforward expires in 2003.

The components of income tax expense are as follows:

	2000	1999	1998
Currently payable	\$ 730,138	\$ 618,094	\$ 726,193
Deferred	(12,888)	16,089	(132,022)
Total	<u>\$ 717,250</u>	<u>\$ 634,183</u>	<u>\$ 594,171</u>

The following is a reconciliation of income tax at the federal statutory rate to the effective rate of tax on the financial statements:

	Years Ended December 31,					
	2000		1999		1998	
	Rate	Amount	Rate	Amount	Rate	Amount
Tax at federal statutory rate	34%	\$ 1,112,657	34%	\$ 1,071,397	34%	\$ 999,197
Tax-exempt income	(12)	(384,858)	(13)	(406,658)	(15)	(428,371)
Other	-	(10,549)	(1)	(30,556)	1	23,345
Income tax expense	<u>22%</u>	<u>\$ 717,250</u>	<u>20%</u>	<u>\$ 634,183</u>	<u>20%</u>	<u>\$ 594,171</u>

10. Related Party Transactions

Loans to principal officers, directors, and their affiliates in 2000 were as follows:

Beginning balance	\$ 4,214,211
New loans	1,544,427
Repayments	(1,377,327)
Ending balance	<u>\$ 4,381,311</u>

Unused commitments to these related parties totaled \$1,199,641 at year-end 2000.

11. Capital Requirements and Restrictions on Retained Earnings

The Company and the Bank are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective-action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective-action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If

Actual and required capital amounts and ratios are presented below at year-end.

(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2000						
Total capital to risk-weighted assets						
Consolidated	\$ 29,817	22.22%	\$ 10,735	8.00%	\$ 13,419	10.00%
Bank	25,644	19.40	10,573	8.00	13,217	10.00
Tier 1 (core) capital to risk-weighted assets						
Consolidated	28,474	21.22	5,368	4.00	8,051	6.00
Bank	24,301	18.39	5,287	4.00	7,930	6.00
Tier 1 (core) capital to average assets						
Consolidated	28,474	14.53	7,836	4.00	9,795	5.00
Bank	24,301	12.52	7,762	4.00	9,703	5.00
1999						
Total capital to risk-weighted assets						
Consolidated	\$ 28,093	21.81%	\$ 10,303	8.00%	\$ 12,879	10.00%
Bank	25,269	19.91	10,153	8.00	12,691	10.00
Tier 1 (core) capital to risk-weighted assets						
Consolidated	26,784	20.80	5,152	4.00	7,727	6.00
Bank	23,960	18.88	5,077	4.00	7,615	6.00
Tier 1 (core) capital to average assets						
Consolidated	26,784	13.83	7,746	4.00	9,683	5.00
Bank	23,960	12.49	7,674	4.00	9,592	5.00

adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. The Corporation is considered well capitalized under the Federal Deposit Insurance Act at year-end 2000 and 1999. Management is not aware of any matters after December 31, 2000 that would cause the Corporation's capital category to change.

The Bank is restricted by regulation in the amount of dividends it may pay to the holding company. Under the most restrictive dividend limitations, at year-end 2000 approximately \$98,860 is available for the Bank to pay dividends to the holding company.

12. Commitments, Contingencies and Financial Instruments with Off-Balance-Sheet Risk

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer-financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met. These agreements usually have fixed expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

Financial instruments with off-balance-sheet risk were as follows at year-end.

	2000	1999
Unused lines of credit	\$ 24,113,000	\$ 23,472,000
Letters of credit	1,012,000	1,575,000

The Corporation was required to have approximately \$2,060,000 and \$1,722,000 of cash on hand or on deposit with the Federal Reserve Bank at year-end 2000 and 1999. These balances do not earn interest. The Corporation has also committed to invest up to \$112,500 in a limited partnership that purchases stock of financial companies.

Of the above-unused lines of credit, approximately \$4,729,000 pertains to fixed-rate commitments, and variable-rate commitments account for approximately \$19,384,000. In addition, rates on unused lines of credit range from 6.99% to 16.9%.

13. Fair Values of Financial Instruments

Carrying amount and estimated fair values of financial instruments were as follows at year-end.

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	\$ 15,212,797	\$ 15,213,000	\$ 17,308,351	\$ 17,308,000
Interest-bearing deposits	1,989,440	1,992,000	1,985,122	1,992,000
Securities available for sale	20,168,513	20,169,000	19,538,195	19,538,000
Securities held to maturity	47,852,539	48,518,000	50,675,855	50,136,000
Federal bank stock	975,800	976,000	928,000	928,000
Loans, net	107,551,674	106,753,000	99,531,223	98,391,000
Accrued interest receivable	1,492,613	1,493,000	1,344,846	1,345,000
Financial Liabilities:				
Deposits	(162,013,585)	(161,809,000)	(160,435,348)	(160,341,000)
Short-term borrowings	(4,564,783)	(4,565,000)	(3,057,041)	(3,057,000)
Federal Home Loan Bank advances	(3,446,086)	(3,443,000)	(5,606,641)	(5,645,000)
Accrued interest payable	(840,304)	(840,000)	(535,898)	(536,000)

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, short-term borrowings, Federal bank stock, accrued interest receivable and payable, demand and savings deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. Security fair values are based on market prices or dealer quotes, and if no such information is available, on the rate and term of the security and information about the issuer. 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. Fair values for impaired loans are estimated using discounted cash flow analysis or underlying collateral values. Fair value of loans held for sale is based on market quotes. Fair value of debt is based on current rates for similar financing. The

fair value of off-balance-sheet items, based on the current fees or cost that would be charged to enter into or terminate such arrangements, is not material.

14. Other Comprehensive Income

Other comprehensive income components and related taxes were as follows.

	2000	1999	1998
Unrealized holding gains and losses on available-for-sale securities	\$ 905,639	\$ (833,859)	\$ (403,438)
Less reclassification adjustment for gains and losses later recognized in income	—	—	—
Net unrealized gains and losses	905,639	(833,859)	(403,438)
Tax effect	(307,917)	283,512	137,169
Other comprehensive income	<u>\$ 597,722</u>	<u>\$ (550,347)</u>	<u>\$ (266,269)</u>

15. Quarterly Financial Data (unaudited)

	Interest Income		Net Interest Income		Net Income	Earnings per Share Basic and Diluted
2000						
First quarter	\$ 3,356,065	\$	2,138,497	\$571,436	\$	0.26
Second quarter	3,503,382		2,223,594	600,917		0.27
Third quarter	3,658,595		2,200,604	660,791		0.29
Fourth quarter	3,696,537		2,241,618	722,127		0.32
1999						
First quarter	\$ 3,220,453	\$	2,066,171	\$619,351	\$	0.27
Second quarter	3,326,359		2,134,813	592,441		0.26
Third quarter	3,352,683		2,190,244	647,607		0.29
Fourth quarter	3,483,112		2,242,770	657,587		0.30

16. Parent Company Only Condensed Financial Information

Condensed financial statements for National Bancshares Corporation (parent only) are as follows:

BALANCE SHEETS

	December 31,	
	2000	1999
Assets		
Cash	\$ 2,462,067	\$ 1,350,817
Investment in Bank subsidiary	24,766,285	24,031,721
Securities available for sale	1,892,062	1,667,762
Other assets	132,255	208,517
Total assets	<u>\$ 29,252,669</u>	<u>\$ 27,258,817</u>
Liabilities and shareholders' equity		
Dividends payable	\$ 313,340	\$ 402,622
Shareholders' equity	28,939,329	26,856,195
Total liabilities and shareholders' equity	<u>\$ 29,252,669</u>	<u>\$ 27,258,817</u>

STATEMENTS OF INCOME

	Years Ended December 31,		
	2000	1999	1998
Income			
Dividends from Bank subsidiary	\$ 2,265,174	\$ 2,255,794	\$ 2,752,913
Other dividends	30,000	92,300	12,724
Total income	2,295,174	2,348,094	2,765,637
Expenses			
Miscellaneous expense	(24,783)	(25,508)	(40,571)
Undistributed equity in net income of Bank	284,880	194,400	(380,421)
Net income	<u>\$ 2,555,271</u>	<u>\$ 2,516,986</u>	<u>\$ 2,344,645</u>

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2000	1999	1998
Cash flows from operating activities:			
Net income	\$ 2,555,271	\$ 2,516,986	\$ 2,344,645
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of Bank	(284,880)	(194,400)	380,421
Change in dividends receivable	—	—	600,294
Net cash from operating activities	2,270,391	2,322,586	3,325,360
Cash flows from investing activities:			
Purchase of securities	—	(651,250)	(434,999)
Return of capital	—	90,000	—
Net cash from investing activities	—	(561,250)	(434,999)
Cash flows from financing activities:			
Dividends paid	(1,208,979)	(1,063,000)	(980,647)
Dividends reinvested	224,452	154,664	182,906
Purchase of treasury shares	(174,614)	(1,379,788)	(244,450)
Net cash from financing activities	(1,159,141)	(2,288,124)	(1,042,191)
Net increase (decrease) in cash	1,111,250	(526,788)	1,848,170
Cash, beginning of year	1,350,817	1,877,605	29,435
Cash, end of year	<u>\$ 2,462,067</u>	<u>\$ 1,350,817</u>	<u>\$ 1,877,605</u>

CROWE CHIZEK

Report of Independent Auditors

Board of Directors and Shareholders
National Bancshares Corporation
Orrville, Ohio

We have audited the accompanying consolidated balance sheets of National Bancshares Corporation as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Bancshares Corporation as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with generally accepted accounting principles.

/s/ Crowe, Chizek and Company LLP
Crowe, Chizek and Company LLP

Columbus, Ohio
January 26, 2001

Analysis of Net Interest Earnings

Rate spread and effective rate differential (on a tax equivalent basis). The following table presents an analysis of net interest earning assets and interest bearing liabilities.

(Dollars in Thousands)	2000			1999		
	Daily Average Balance	Interest	Average Rate	Daily Average Balance	Interest	Average Rate
Assets						
Interest earning assets:						
Investment securities:						
Taxable	\$ 49,488	\$ 3,297	6.53%	\$ 50,052	\$ 3,327	6.56%
Nontaxable (tax equivalent basis)*	20,658	1,769	8.55%	21,542	1,840	8.54%
Federal funds sold	5,506	348	6.32%	10,002	488	4.88%
Interest-bearing deposits	1,987	122	6.14%	1,119	68	6.08%
Net loans (including nonaccrual loans)	104,856	9,280	8.85%	97,438	8,285	8.50%
Total interest earning assets	182,495	14,816	8.12%	180,153	14,008	7.78%
All other assets	13,413			13,505		
Total Assets	\$ 195,908			\$ 193,658		
Liabilities and Shareholders' Equity						
Interest bearing liabilities:						
Deposits:						
Interest bearing checking	\$ 29,914	\$ 530	1.77%	\$ 30,837	\$ 568	1.84%
Savings	41,306	1,072	2.60%	43,630	1,130	2.59%
Time, \$100,000 and over	13,726	835	6.08%	15,125	680	4.50%
Time, other	46,700	2,461	5.27%	42,385	2,093	4.94%
Other funds purchased	8,637	512	5.93%	6,335	278	4.39%
Total interest bearing liabilities	140,283	5,410	3.86%	138,312	4,749	3.43%
Demand deposits	26,470			27,132		
Other liabilities	1,020			910		
Shareholders' equity	28,135			27,304		
Total Liabilities and Shareholders' Equity	\$ 195,908			\$ 193,658		
Net interest income (tax equivalent basis)*		\$ 9,406			\$ 9,259	
Net interest spread			4.26%			4.35%
Net yield on total earning assets*			5.15%			5.14%

[Additional columns below]

[Continued from above table, first column(s) repeated]

(Dollars in Thousands)	1998		
	Daily Average Balance	Interest	Average Rate
Assets			
Interest earning assets:			
Investment securities:			
Taxable	\$ 54,565	\$ 3,570	6.54%
Nontaxable (tax equivalent basis)*	21,493	1,848	8.60%
Federal funds sold	11,692	622	5.32%
Interest-bearing deposits			
Net loans (including nonaccrual loans)	84,610	7,823	9.25%
Total interest earning assets	172,360	13,863	8.04%
All other assets	12,389		
Total Assets	\$ 184,749		
Liabilities and Shareholders' Equity			
Interest bearing liabilities:			
Deposits:			

Deposits:			
Interest bearing checking	\$ 29,376	\$ 676	2.30%
Savings	41,657	1,245	2.99%
Time, \$100,000 and over	14,082	768	5.45%
Time, other	40,196	2,119	5.27%
Other funds purchased	4,350	191	4.39%
Total interest bearing liabilities	<u>129,661</u>	<u>4,999</u>	<u>3.86%</u>
Demand deposits	27,030		
Other liabilities	1,132		
Shareholders' equity	26,926		
Total Liabilities and Shareholders' Equity	<u>\$ 184,749</u>		
Net interest income (tax equivalent basis)*		<u>\$ 8,864</u>	
Net interest spread			<u>4.18%</u>
Net yield on total earning assets*			<u>5.14%</u>

* Tax equivalence based on highest statutory tax rate of 34%.

Historical Financial Summary

Financial Position

(Year End Balances)

	2000	1999	1998	1997*	1996*
Total Assets	\$ 200,792,706	\$ 197,402,543	\$ 190,203,604	\$ 182,982,332	\$ 180,631,014
Cash and Due from Banks	7,077,797	8,538,351	7,675,122	8,068,623	8,194,813
Investment Securities	68,021,052	70,214,050	69,808,933	80,940,781	76,719,305
Loans-Net	107,551,674	99,531,223	92,037,075	78,257,778	78,149,995
Deposits	162,013,585	160,435,348	157,714,551	151,081,856	149,824,321
Borrowings	8,010,869	8,663,682	4,043,859	4,576,966	4,910,436
Shareholders' Equity	28,939,329	26,856,195	27,192,882	26,177,793	24,804,248
Book Value Per Share	\$ 12.93	\$ 12.01	\$ 11.93	\$ 11.48	\$ 10.86

Summary of Operations

Total Interest Income	\$ 14,214,579	\$ 13,382,607	\$ 13,235,138	\$ 13,157,905	\$ 12,730,539
Total Interest Expense	5,410,266	4,748,609	4,999,452	5,071,870	4,860,197
Net Interest Income	8,804,313	8,633,998	8,235,686	8,086,035	7,870,342
Provision for Loan Losses	62,500	120,000	120,000	120,000	180,000
Net Interest Income After Provision for Loan Losses	8,741,813	8,513,998	8,115,686	7,966,035	7,690,342
Total Noninterest Income	849,467	836,598	874,699	745,380	795,444
Total Noninterest Expense	6,318,759	6,199,427	6,051,569	5,680,885	5,620,865
Income Before Income Taxes	3,272,521	3,151,169	2,938,816	3,030,530	2,864,921
Income Taxes Expense	717,250	634,183	594,171	680,943	628,469
Net Income	\$ 2,555,271	\$ 2,516,986	\$ 2,344,645	\$ 2,349,587	\$ 2,236,452
Net Income Per Share	\$ 1.14	\$ 1.12	\$ 1.03	\$ 1.03	\$ 0.98
Cash Dividends	\$ 1,119,697	\$ 1,078,202	\$ 1,001,743	\$ 948,651	\$ 900,103
Cash Dividends Per Share	\$ 0.50	\$ 0.48	\$ 0.44	\$ 0.42	\$ 0.40
Dividend Payout Percentage	43.82%	42.84%	42.72%	40.38%	40.25%
Weighted Average Number of Shares Outstanding	2,240,534	2,253,650	2,281,166	2,285,812	2,280,686
Return on Average Assets	1.30%	1.30%	1.27%	1.31%	1.30%
Return on Average Equity	9.08%	9.22%	8.71%	9.23%	9.24%
Average Equity to Average Assets	14.36%	14.10%	14.57%	14.21%	14.08%
Risk-Based Capital Percentage	22.22%	21.81%	23.80%	23.75%	22.30%
Full Time Equivalent Staff	103	101	96	96	95
Average Total Assets to Full Time Equivalent Staff	\$ 1,902,022	\$ 1,917,411	\$ 1,924,474	\$ 1,866,035	\$ 1,810,186

*All share and per share data restated for 100% stock dividend on May 29, 1998.

Directors

Charles J. Dolezal
*Chairman, President,
Chief Executive Officer*

Sara Balzarini
*Member of Management
Committee, Contours, Ltd.*

Bobbi Douglas
*Executive Director
STEPS at Liberty Center
Every Woman's House*

John W. Kropf
*Attorney
Kropf, Wagner, Hohenberger & Lutz, L.L.P.*

Steve Schmid
*President
Smith Dairy Products, Inc.*

John E. Sprunger
*President
Kidron Auction, Inc.*

Howard J. Wenger
*President
Wenger Excavating, Inc.
Lake Region Oil, Inc.
Northstar Asphalt, Inc.*

James F. Woolley
*Chief Executive Officer
R.W. Screw Products, Inc.*

Albert Yeagley
*Plant Manager
J.M. Smucker Company*

Robert F. Gumz
Director Emeritus

Officers

National Bancshares Corporation

Charles J. Dolezal
President

Kenneth R. VanSickle
Senior Vice President, Secretary

Lawrence Cardinal, Jr.
Vice President, Treasurer

First National Bank

Charles J. Dolezal
President

Control

Lawrence Cardinal, Jr.

Vice President & Controller

Angela Smith
Assistant Controller

Lending

Kenneth R. VanSickle
*Senior Vice President,
Chief Loan Officer*

Scott Holmes
*Assistant Vice President,
Manager of Loan Department*

Dean Karhan
*Assistant Vice President,
Commercial Loan Officer*

Sara Martin
Loan Officer

Matthew Miller
Loan Officer

Carol Yoder
Loan Officer

Operations

Robert Woodruff
Vice President & Cashier

Jackie Samsa
*Assistant Vice President,
Manager of Human Resources*

Jan Zacharias
Operations Officer

Sales and Business Development

Harold Berkey
Vice President of Customer Services

Security/Compliance

Ron Armentrout
*Assistant Vice President,
Security Officer, Compliance Officer*

Audit

Jim Huntsberger
Auditor

Branch Administration

David Chapman
*Assistant Vice President,
Manager Mt. Eaton Office*

Carolyn Forrer
*Administrative Officer,
Manager Main Office Lobby*

Karen Hicks
Assistant Vice President, Manager Smithville Office

Michelle Kieffaber

*Loan Officer,
Dalton Office*

James Kuschmeader
*Assistant Vice President,
Manager Dalton Office*

Susan Kutz
*Administrative Officer,
Manager West High Office*

Larry Kytta
*Assistant Vice President,
Manager Lodi Office*

Steve Riddick
*Assistant Vice President,
Manager Cleveland Road Office*

Valerie Stein
*Assistant Vice President,
Manager Kidron Office*

Rita Tyrrell
*Administrative Officer,
Dalton Office*

Betty Wyant
*Assistant Vice President,
Manager Midway Office*

Offices

Main Office

*112 West Market St., Orrville
(330)682-1010*

Cleveland Road Office

*1725 Cleveland Rd., Wooster
(330)263-1725*

Dalton Office

*12 West Main St., Dalton
(330)828-2227*

Kidron Office

*4934 Kidron Rd., Kidron
(330)857-3101*

Lodi Office

*106 Ainsworth St., Lodi
(330)948-1414*

Midway Office

*U.S. Route 30 at County Rd. 44, Apple Creek
(330)264-8070*

Mt. Eaton Office

*15974 East Main St., Mt. Eaton
(330)857-4301 or (330)359-5476*

Northside Office

*1720 North Main St., Orrville
(330)682-2342*

Seville Office

*121 Greenwich Rd., Seville
(330)769-3105*

Smithville Office

*153 East Main St., Smithville
(330)669-2611*

West High Office

*1320 West High St., Orrville
(330)682-2881*

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