

PRESS RELEASE

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OTC Bulletin Board - NBOH
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National Bancshares Corporation Announces Record Year Earnings and Asset Growth – Diluted EPS of \$0.73, Up 49% From Prior Year

Orrville, Ohio -- National Bancshares Corporation, the holding company for First National Bank, reported record net income of \$1,646,000 for the quarter ended December 31, 2014, an increase from \$1,108,000 for the same period in 2013. Earnings per share were \$0.74 for the three months ended December 31, 2014, compared to \$0.49 for the same period in 2013. Diluted earnings per share were \$0.73 for the fourth quarter of 2014, compared to \$0.49 for the same period in 2013.

“2014 was an outstanding year for National Bancshares Corporation” reports Mark R. Witmer, President and CEO. “We achieved record net income, record return on average assets, record return on average equity, record loan balances, record deposit balances and a record efficiency ratio. We also enjoyed a robust net interest margin and an excellent net charge-off ratio. Total assets at December 31, 2014 were a record \$529.6 million compared to \$476.2 million at December 31, 2013. We are extremely fortunate to have an outstanding team of bankers providing each and every customer with first-class financial services”.

“Average total loans for the fourth quarter of 2014 were \$396.3 million, an increase of 24.0%, from \$319.5 million for the same period in 2013. Total loans were \$402.6 million as of December 31, 2014 which represents more than twice the amount when compared to yearend 2010. Mostly contributing to this growth was an increase in one-to-four family residential loans, farmland and agricultural production loans and consumer loans.”

Fourth Quarter 2014 Business Highlights:

- Annualized return on average equity and average assets for the quarter ended December 31, 2014 were 12.62% and 1.23% respectively, compared with 9.52% and 0.93% for the same period in 2013.
- Net interest income for the quarter increased \$596,000 or 15.0%, to \$4,560,000, compared to \$3,964,000 for the same period in 2013. Net interest income for the three months ended December 31, 2014 represents the highest level in the Bank's history.

- The net interest margin, on a tax-equivalent basis, improved to 3.76% for the quarter ended December 31, 2014, compared to 3.69% for the same period in 2013.
- The adjusted operating efficiency ratio decreased from 64.2% in 2013 to 53.6% in 2014.

2014 Business Highlights

- Total assets increased \$53.4 million or 11.2%, from \$476.2 million at yearend 2013, to \$529.6 million at December 31, 2014.
- Average total loans for 2014 climbed 23.7% year over year to \$365.0 million primarily due to growth in one-to-four family residential loans, farmland and agricultural production loans and consumer loans.
- Average total deposits for 2014 increased 5.8% year over year to \$408.3 million. The bank has experienced growth in all categories of deposits, including savings accounts, demand deposit accounts and time deposits.
- Shareholder's equity increased \$5.9 million or 12.8% in 2014, to \$52.5 million as of December 31, 2014.
- The adjusted operating efficiency ratio decreased from 66.6% in 2013 to 58.3% in 2014.

Fourth Quarter Financial Summary:

Net interest income for the quarter was \$4,560,000, an increase of 15.0%, from \$3,964,000 for the same period in 2013. Net interest income was positively impacted by the growth in average balances of loans and lower-cost deposits. The provision for loan losses was essentially the same with \$151,000 for the quarter ended December 31, 2014, compared to \$152,000 for the same period in 2013. Management believes the \$4.1 million allowance for loan losses as of December 31, 2014 is adequate, however changing economic and other conditions may require future adjustments to the allowance for loan losses.

Noninterest income for the quarter increased to \$696,000 from \$590,000 for the same period in 2013. Mortgage banking activities for the quarter increased to \$149,000 compared to \$134,000 for the quarter ended December 31, 2013. A write-down on other real estate owned of \$83,000 was recorded during the quarter ended December 31, 2013.

Noninterest expense for the quarter was \$2,818,000, a decrease of 5.3%, from \$2,976,000 for the same period in 2013. This change was primarily due to a decrease in salaries and employee benefits and professional and consulting fees. The adjusted operating efficiency ratio decreased from 64.2% in 2013 to 53.6% in 2014. The Company calculates the

adjusted operating efficiency ratio by dividing noninterest expense (adjusted for non-recurring one-time items) by the sum of net interest income and noninterest income (excluding securities gains and losses and non-recurring one-time items.)

Full Year 2014 Financial Summary:

Net income for 2014 increased 43.5% to \$5,904,000, from \$4,115,000 for the same period in 2013. Net income was positively impacted by an increase in net interest income, a decrease in the provision for loan losses and a decrease in noninterest expense. Annualized return on average equity and average assets for 2014 were 11.92% and 1.16% respectively, compared with 8.97% and 0.88% for 2013. The net interest margin, on a tax-equivalent basis was 3.71% for 2014, compared to 3.62% for the same period in 2013.

Net interest income for 2014 was \$17,140,000, an increase of \$2,128,000, compared to \$15,012,000 for the same period of 2013. The increase in net interest income is attributed to the growth in average loans, net from \$295.1 million in 2013 to \$365.0 million in 2014 and a decrease in interest expense due to the historically low interest rate environment.

Noninterest income of \$2,935,000 for 2014 increased slightly from \$2,898,000 in 2013. Mortgage banking activities were \$672,000 in 2014, compared to \$755,000 in 2013. Gains on the sale of securities were \$128,000 in 2014, compared to \$252,000 in 2013. A loss on aggregate asset disposal group related to the sale of certain assets and assumption of certain liabilities related to the Bank's retail location in Fairlawn, Ohio was \$264,000 and included in noninterest income in 2013.

Noninterest expense for 2014 was \$11,637,000, a decrease of 2.8% from \$11,976,000 for the same period in 2013. Data processing expense decreased by \$336,000 in 2014 due to a new core operating system adopted in 2013. Net occupancy expense decreased by \$147,000 due to the sale of the Bank's retail location in Fairlawn, Ohio in 2013. These decreases were partially offset by an increase of \$243,000 in salaries and employee benefits expense. The adjusted operating efficiency ratio was 58.3% for 2014, compared to 66.6% for the same period in 2013.

December 31, 2014 Financial Condition:

Total assets increased 11.2% to \$529.6 million as of December 31, 2014, from \$476.2 million at December 31, 2013. Securities available for sale totaled \$77.9 million as of December 31, 2014, compared to \$93.8 million at December 31, 2013. Loans, net of allowance for loan losses increased \$74.2 million to \$398.6 million as of December 31, 2014, compared to \$324.4 million at December 31, 2013. The total loan-to-asset ratio is 76.0% as of December 31, 2014.

Deposits increased 8.2% to \$418.3 million as of December 31, 2014, compared to \$386.6 million at December 31, 2013. Shareholders' equity increased 12.8% to \$52.5 million as of December 31, 2014, from \$46.6 million at the end of 2013. Accumulated other comprehensive income increased to \$2.5 million as of December 31, 2014, compared to \$1.7 million as of December 31, 2013. The change in accumulated other comprehensive

income was a result of an increase in unrealized gains on securities available for sale, net of tax.

The allowance for loan losses increased \$191,000 to \$4.1 million as of December 31, 2014 compared to December 31, 2013. The allowance for loan losses to total loans changed from 1.18% at yearend 2013 to 1.01% at yearend 2014. The decrease in the allowance for loan losses to total loans ratio is primarily related to the increase in the loan portfolio. Net charge-offs were \$108 thousand for the year ended December 31, 2014 and \$23 thousand for the same period in 2013. The provision for loan losses for the year ended 2014 was \$299 thousand, compared to \$602 thousand for the same period in 2013.

Total loan delinquencies, including all loans greater than 30 days past due and non-accrual loans, were \$2.2 million and \$1.3 million at December 31, 2014 and December 31, 2013. Total loan delinquencies to total loans were 0.55% and 0.40% at December 31, 2014 and December 31, 2013. Total nonperforming loans were \$1.1 million and \$455 thousand at December 31, 2014 and December 31, 2013. Total non-performing loans to total loans were 0.27% and 0.14% at December 31, 2014 and December 31, 2013. Non-performing loans consist of loans placed on non-accrual status and loans past due over 90 days and still accruing interest. Total classified loans were \$6.0 million and \$5.2 million at yearend 2014 and yearend 2013. Management believes the allowance for loan losses is adequate as of December 31, 2014.

National Bancshares Corporation's subsidiary, First National Bank, is headquartered in Orrville, Ohio with fourteen banking offices in Orrville, Massillon, Wooster, Apple Creek, Dalton, Kidron, Lodi, Mt. Eaton, Salem, 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 Annual Report for the year ended December 31, 2013. The Company assumes no obligation to update any forward-looking statement.

Selected Consolidated Financial Data

(Unaudited)

Balance Sheet Data:

(dollars in thousands, except per share data)

	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Cash and cash equivalents	\$28,901	\$35,565	\$44,658	\$41,593	\$34,312
Securities available for sale	77,865	83,134	86,437	95,238	93,751
Loans, net	398,582	383,532	358,649	338,387	324,355
Deposits	418,332	411,544	412,708	404,582	386,550
Repurchase agreements	16,505	13,442	13,141	15,061	19,065
Shareholders' equity	52,530	50,999	49,568	47,946	46,582
Total assets	529,599	526,634	513,474	499,071	476,241
Book value per share	23.57	22.92	22.28	21.55	20.94

Income Statement Data:

(dollars in thousands, except per share data)

	Twelve months ended		
	Dec 31, 2014	Dec 31, 2013	Change
Interest income	\$18,640	\$16,608	12.2 %
Interest expense	1,500	1,596	(6.0)%
Net interest income	17,140	15,012	14.2 %
Provision for loan losses	299	602	(50.3)%
Net interest income after provision for loan losses	16,841	14,410	16.9 %
Noninterest income	2,935	2,898	1.3 %
Noninterest expense:			
Salaries and employee benefits	6,244	6,001	4.0 %
Data processing	911	1,247	(26.9)%
Net occupancy	1,073	1,220	(12.0)%
Other	3,409	3,508	(2.8)%
Total noninterest expense	11,637	11,976	(2.8)%
Income before income taxes	8,139	5,332	52.6 %
Income tax expense	2,235	1,217	83.6 %
Net income	\$5,904	\$4,115	43.5 %
Earnings per share, basic	\$2.65	\$1.85	43.2 %
Earnings per share, diluted	\$2.62	\$1.85	41.6 %
Weighted average shares outstanding, basic	2,225,236	2,223,026	
Weighted average shares outstanding, diluted	2,250,954	2,227,242	

	Three months ended		
	Dec 31, 2014	Dec 31, 2013	Change
Interest income	\$4,932	\$4,367	12.9 %
Interest expense	372	403	(7.7)%
Net interest income	4,560	3,964	15.0 %
Provision for loan losses	151	152	(0.7)%
Net interest income after provision for loan losses	4,409	3,812	15.7 %
Noninterest income	696	590	18.0 %
Noninterest expense:			
Salaries and employee benefits	1,459	1,544	(5.5)%
Data processing	256	262	(2.3)%
Net occupancy	249	259	(3.9)%
Other	854	911	(6.3)%
Total noninterest expense	2,818	2,976	(5.3)%
Income before income taxes	2,287	1,426	60.4 %
Income tax expense	641	318	101.6 %
Net income	\$1,646	\$1,108	48.6 %
Earnings per share, basic	\$0.74	\$0.49	51.0 %
Earnings per share, diluted	\$0.73	\$0.49	49.0 %
Weighted average shares outstanding, basic	2,226,738	2,224,035	
Weighted average shares outstanding, diluted	2,256,575	2,242,461	

Selected Consolidated Financial Data

(Unaudited)

Quarterly Earnings Data

(dollars in thousands except per share data)

	Dec <u>2014</u>	Sep <u>2014</u>	Jun <u>2014</u>	Mar <u>2014</u>
Interest income	\$4,932	\$4,818	\$4,525	\$4,365
Interest expense	372	379	376	373
Net interest income	4,560	4,439	4,149	3,992
Provision for loan losses	151	0	0	148
Net interest income after provision for loan losses	4,409	4,439	4,149	3,844
Noninterest income	696	812	701	726
Noninterest expense	2,818	3,048	2,889	2,882
Income (loss) before income taxes	2,287	2,203	1,961	1,688
Income tax expense (benefit)	641	612	534	448
Net income	<u>\$1,646</u>	<u>\$1,591</u>	<u>\$1,427</u>	<u>\$1,240</u>
Earnings per share:				
Basic	<u>\$0.74</u>	<u>\$0.72</u>	<u>\$0.64</u>	<u>\$0.56</u>
Diluted	<u>\$0.73</u>	<u>\$0.71</u>	<u>\$0.63</u>	<u>\$0.55</u>
Cash dividends per share	<u>\$0.10</u>	<u>\$0.10</u>	<u>\$0.10</u>	<u>\$0.10</u>
Weighted average shares outstanding, basic	<u>2,226,738</u>	<u>2,224,973</u>	<u>2,224,652</u>	<u>2,224,559</u>
Weighted average shares outstanding, diluted	<u>2,256,575</u>	<u>2,252,265</u>	<u>2,248,295</u>	<u>2,246,657</u>
	Dec <u>2013</u>	Sep <u>2013</u>	Jun <u>2013</u>	Mar <u>2013</u>
Interest income	\$4,367	\$4,122	\$4,081	\$4,038
Interest expense	403	381	405	407
Net interest income	3,964	3,741	3,676	3,631
Provision for loan losses	152	150	150	150
Net interest income after provision for loan losses	3,812	3,591	3,526	3,481
Noninterest income	590	764	792	771
Noninterest expense	2,976	2,992	2,996	3,031
Income (loss) before income taxes	1,426	1,363	1,322	1,221
Income tax expense (benefit)	318	320	304	275
Net income	<u>\$1,108</u>	<u>\$1,043</u>	<u>\$1,018</u>	<u>\$946</u>
Earnings per share:				
Basic	<u>\$0.49</u>	<u>\$0.47</u>	<u>\$0.46</u>	<u>\$0.43</u>
Diluted	<u>\$0.49</u>	<u>\$0.47</u>	<u>\$0.46</u>	<u>\$0.43</u>
Cash dividends per share	<u>\$0.08</u>	<u>\$0.08</u>	<u>\$0.08</u>	<u>\$0.08</u>
Weighted average shares outstanding, basic	<u>2,224,035</u>	<u>2,223,852</u>	<u>2,223,565</u>	<u>2,220,605</u>
Weighted average shares outstanding, diluted	<u>2,242,461</u>	<u>2,223,598</u>	<u>2,230,200</u>	<u>2,220,640</u>