

**NATIONAL BANCSHARES, INC.**

(an Iowa corporation)

24,664 Shares of Class B Fixed Rate Cumulative Perpetual Preferred Stock, Series T1

1,233 Shares of Class B Fixed Rate Cumulative Perpetual Preferred Stock, Series T2

**PLACEMENT AGENCY AGREEMENT**

February 6, 2013

Stifel, Nicolaus & Company, Incorporated  
Merrill Lynch, Pierce, Fenner & Smith Incorporated  
as Placement Agents

c/o Stifel, Nicolaus & Company, Incorporated  
237 Park Ave, 8th Floor  
New York, New York 10017

and

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
One Bryant Park  
New York, New York 10036

Ladies and Gentlemen:

National Bancshares, Inc., an Iowa corporation (the "Company"), THE National Bank, (the "Bank"), and the United States Department of the Treasury (the "Selling Shareholder") each confirms its agreement (this "Agreement") with Stifel, Nicolaus & Company, Incorporated ("Stifel") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch," and collectively with Stifel, the "Placement Agents") with respect to the direct sale by the Selling Shareholder to one or more Winning Bidders (as defined in Section 2(a) hereof) and the placement, as agent of the Selling Shareholder, by the Placement Agents of 24,664 Shares of Class B Fixed Rate Cumulative Perpetual Preferred Stock, Series T1, par value \$0.01 per share ("Series T1 Securities"), and 1,233 Shares of Class B Fixed Rate Cumulative Perpetual Preferred Stock, Series T2, par value \$0.01 per share ("Series T2 Securities"), of the Company (the Series T1 Securities and Series T2 Securities, collectively, the "Securities").

**Offers in the auction for the Securities (the "Auction") will only be made to potential investors who are (i) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "1933 Act")) that are organized under the laws of a state of the U.S. or the District of Columbia, (ii) institutions or other entities that are "accredited investors" that meet the standards in Rule 501(a)(1), (2), (3) or (7) under the 1933 Act and having total assets or assets under management of not less than \$25,000,000, that are organized under the laws of a state of the U.S. or the District of**

**Columbia or (iii) directors or executive officers of the Company who or which, in each case, meet the suitability requirements set forth in the bidder letter provided by each bidder (each, a "Bidder"), a form of which is attached hereto as Schedule A (each, a "Bidder Letter") and are resident in the U.S., and such offers and the sale of the Securities to the Winning Bidder(s) will be made without registration under the 1933 Act.**

This Agreement, the Company's Articles of Incorporation, as amended by the Articles of Amendment filed on February 19, 2009 with the Iowa Secretary of State with respect to the Securities, as thereafter amended and restated from time to time (collectively, the "Charter"), and the Company's By-Laws (the "By-Laws") are referred to herein, collectively, as the "Operative Documents."

#### SECTION 1. Representations and Warranties.

(a) *Representations and Warranties by the Company.* The Company represents and warrants to the Winning Bidder(s), each Placement Agent and the Selling Shareholder, at the date of execution of this Agreement, on the date (the "Pricing Date") and at the time that the clearing price for the Securities is determined in accordance with Section 2(a) hereof (the "Applicable Time") and the Closing Time (as defined below) (each, a "Representation Date"), and agrees with the Winning Bidder(s), each Placement Agent and the Selling Shareholder, as follows:

(i) Financial Statements. Except as set forth on Schedule B, the financial statements of the Company and the Bank filed with their respective regulators during the past five fiscal years and any interim periods since the most recent fiscal year end present fairly the financial position of the Company and its consolidated subsidiaries and the Bank at the dates and for the periods of such statements; such financial statements have been prepared in conformity with the requirements of the applicable regulator and with U.S. generally accepted accounting principles applied on a consistent basis throughout the periods involved.

(ii) No Material Adverse Change. Since the date of the last filing of financial statements by the Company or the Bank with the applicable regulator (A) except as set forth on Schedule B, there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Change") and (B) except as set forth on Schedule B, there have been no transactions entered into, or dividends or distributions declared, paid or made by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise.

(iii) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Iowa and has all requisite corporate power and authority to own, lease and operate its properties, to conduct its business and to enter into and perform its obligations under, and to consummate the transactions contemplated in, the Operative Documents and the

Securities. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not, singly or in the aggregate, result in a material adverse effect (A) in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (B) on the ability of the Company to enter into and perform its obligations under, or consummate the transactions contemplated in, the Operative Documents (a "Material Adverse Effect"). The Company is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. Except as set forth on Schedule B, no change to the Charter and By-Laws is contemplated or has been authorized or approved by the Company or its stockholders.

(iv) Good Standing of Subsidiaries. Each "significant subsidiary" of the Company (as such term is defined in Rule 1-02 of Regulation S-X) (including the Bank) (each, a "Significant Subsidiary" and, collectively, the "Significant Subsidiaries") has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or other organization, has all requisite corporate power and authority to own, lease and operate its properties, to conduct its business and, in the case of the Bank, to enter into, and perform its obligations under, this Agreement and is duly qualified to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or to be in good standing would not, singly or in the aggregate, result in a Material Adverse Effect. All of the issued and outstanding shares of capital stock of or other equity interests in each Significant Subsidiary have been duly authorized and validly issued, are fully paid and non-assessable and, except as set forth on Schedule B, are owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity. None of the outstanding shares of capital stock of or other equity interests in any Significant Subsidiary were issued in violation of the preemptive or similar rights of any securityholder of such Significant Subsidiary or any other entity. The only subsidiaries of the Company other than the Significant Subsidiaries are subsidiaries which, considered in the aggregate as a single subsidiary, do not constitute a "significant subsidiary" within the meaning of Rule 1-02 of Regulation S-X. The deposit accounts of each of the Company's banking subsidiaries are insured up to the applicable limits by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation (the "FDIC") to the fullest extent permitted by law and the rules and regulations of the FDIC, and no proceeding for the revocation or termination of such insurance is pending or, to the knowledge of the Company, threatened.

(v) Regulatory Matters. Except as set forth on Schedule B, neither the Company nor any of its subsidiaries (including the Bank) is subject or is party to, or has received any notice or advice from any Regulatory Agency (as defined below) that any of them may become subject or party to any investigation with respect to, any corrective, suspension or cease-and-desist order, agreement, consent agreement, memorandum of understanding or other regulatory enforcement action, proceeding or order with or by, or

is a party to any commitment letter or similar undertaking to, or is subject to any directive by, or has been a recipient of any supervisory letter from, or has adopted any board resolutions at the request of, any Regulatory Agency that currently relates to or restricts in any material respect the conduct of their business or that in any manner relates to their capital adequacy, credit policies, management or business (each, a "Regulatory Agreement"), nor has the Company or any of its subsidiaries been advised by any Regulatory Agency that it is considering issuing or requesting any Regulatory Agreement. Except as set forth on Schedule B, there is no unresolved violation, criticism or exception by any Regulatory Agency with respect to any report or statement relating to any examinations of the Company or any of its subsidiaries. The Company and its subsidiaries are in compliance in all material respects with all laws administered by the Regulatory Agencies. As used herein, the term "Regulatory Agency" means any federal or state agency charged with the supervision or regulation of depository institutions or holding companies of depository institutions, or engaged in the insurance of depository institution deposits, or any court, administrative agency or commission or other authority, body or agency having supervisory or regulatory authority with respect to the Company or any of its subsidiaries.

(vi) Capitalization. Except as set forth on Schedule B, the authorized, issued and outstanding shares of capital stock of the Company are as set forth in the last filing of financial statements by the Company with the applicable regulator. The outstanding shares of capital stock of the Company, including the Securities, have been duly authorized and validly issued and are fully paid and non-assessable. None of the outstanding shares of capital stock of the Company, including the Securities, were issued in violation of the preemptive or other similar rights of any securityholder of the Company or any other entity. The total equity of the Company, as set forth in the Company's most recent publicly available Reporting Form FR Y-9C under the line item "Total Shareholder Equity," has not materially decreased.

(vii) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by each of the Company and the Bank.

(viii) Filing of Articles of Amendment; Form of Certificate. The Articles of Amendment for the Securities has been duly filed with the Secretary of State of the State of Iowa. The form of certificate representing the Securities complies with the requirements of Iowa state law, the Charter and the By-Laws.

(ix) Absence of Violations, Defaults and Conflicts. Neither the Company nor any of its subsidiaries (including the Bank) is (A) in violation of its charter, by-laws or similar organizational document, (B) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound or to which any of the properties, assets or operations of the Company or any of its subsidiaries is subject (collectively, "Agreements and Instruments"), except for such defaults that would not, singly or in the aggregate, result in a Material Adverse Effect, or (C) in violation of any law, statute, rule, regulation,

judgment, order, writ or decree of any arbitrator, court, governmental body, regulatory body, administrative agency (including, without limitation, each applicable Regulatory Agency) or other authority, body or agency having jurisdiction over the Company or any of its subsidiaries or any of their respective properties, assets or operations (each, a "Governmental Entity"), except for such violations that would not, singly or in the aggregate, result in a Material Adverse Effect. The execution, delivery and performance of the Operative Documents and the consummation of the transactions contemplated in this Agreement and compliance by the Company and the Bank with their respective obligations under the Operative Documents have been duly authorized by the Company and the Bank, as the case may be, by all requisite action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any properties, assets or operations of the Company or any of its subsidiaries pursuant to, the Agreements and Instruments (except for such conflicts, breaches, defaults or Repayment Events or liens, charges or encumbrances that would not, singly or in the aggregate, result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter, by-laws or similar organizational document of the Company or any of its subsidiaries or any law, statute, rule, regulation, judgment, order, writ or decree of any Governmental Entity. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other financing instrument (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of the related financing by the Company or any of its subsidiaries.

(x) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any Governmental Entity now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any of its subsidiaries, which could, singly or in the aggregate, result in a Material Adverse Effect.

(xi) Absence of Further Requirements. Assuming the accuracy of the representations, warranties and covenants of the Winning Bidder(s) set forth in Section 1 of the Bidder Letter(s), no filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any Governmental Entity is necessary or required for the Company or the Bank to enter into, or perform their respective obligations under, the Operative Documents or the consummation of the transactions contemplated in this Agreement, except such as have been already obtained, including, without limitation, the registration under the 1933 Act of the offer, sale and delivery of the Securities by the Selling Shareholder through the Placement Agents to the Winning Bidder(s) in accordance with this Agreement and the Bidder Letter(s). If any directors or executive officers of the Company are intending to bid in the Auction, the Company has delivered to the Selling Shareholder and the Placement Agents, prior to the date hereof, evidence sufficient to the Selling Shareholder and the Placement Agents that such directors and/or executive officers of the Company have complied and will comply with the requirements under applicable state securities law.

(xii) Environmental Laws. Except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any applicable law, rule, regulation or policy relating to pollution or protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws to conduct their respective businesses, (C) there are no pending or threatened administrative, regulatory or judicial actions, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (D) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or Governmental Entity, against or affecting the Company or any of its subsidiaries relating to any Environmental Laws.

(xiii) Payment of Taxes. All United States federal income tax returns of the Company and its subsidiaries required by law to be filed have been filed and all taxes shown by such returns or otherwise assessed, which are due and payable, have been paid, except assessments against which appeals have been or will be promptly taken and as to which adequate reserves have been provided. The Company and its subsidiaries have filed all other tax returns that are required to have been filed by them pursuant to applicable foreign, state, local or other law except insofar as the failure to file such returns would not, singly or in the aggregate, result in a Material Adverse Effect, and has paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company or any of its subsidiaries, except for such taxes, if any, as are being contested in good faith and as to which adequate reserves have been established by the Company.

(xiv) Investment Company Act. Neither the Company nor the Bank is required, or upon the consummation of the transactions contemplated in this Agreement will be required, to register as an "investment company" under the Investment Company Act of 1940, as amended (the "1940 Act").

(xv) Foreign Corrupt Practices Act. None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Company, its subsidiaries and, to the knowledge of the Company, its other affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(xvi) Money Laundering Laws. The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the "Money Laundering Laws"). No action, suit or proceeding by or before any Governmental Entity involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened which would reasonably be expected to have a Material Adverse Effect.

(xvii) OFAC. None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or any of its subsidiaries is (A) an individual or entity ("Person") currently the subject of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the United Nations Security Council ("UNSC"), the European Union, Her Majesty's Treasury ("HMT"), or other relevant sanctions authority (collectively, "Sanctions") or (B) located, organized or resident in a country or territory that is the subject of Sanctions.

(xviii) Dividend Payments. Except as set forth on Schedule B, neither the Company nor any subsidiary of the Company is currently prohibited, directly or indirectly, under any order of any Regulatory Agency (other than orders applicable to bank or savings and loan holding companies and their subsidiaries generally), under any applicable law, or under any agreement or other instrument to which it is a party or is subject, from paying any dividends on any of its capital stock (including the Securities in the case of the Company, and any dividends to the Company in the case of any subsidiary of the Company), from making any other distribution on the Company's or such subsidiary's capital stock, or in the case of any subsidiary, from repaying to the Company or any other subsidiary of the Company any loans or advances to such subsidiary or from transferring any of such subsidiary's properties, assets or operations to the Company or any other subsidiary of the Company. Except as set forth in Schedule B, as of the date of this Agreement, the Company has declared and paid, and for the foreseeable future after the date of this Agreement intends to declare and pay, each scheduled dividend payment on the Securities.

(b) *Intention to Bid for or Repurchase Securities.*

(i) Intention to Bid. Except as disclosed in Schedule B, neither the Company nor any officers and directors of the Company intends to submit bids for the Securities in the Auction.

(ii) Redemption or Repurchase of Securities. As disclosed in Schedule B, the Company may repurchase or redeem the Securities subject to certain conditions.

(c) *Representations and Warranties by the Selling Shareholder.* The Selling Shareholder represents and warrants to, and agrees with, the Company, the Winning Bidder(s) and each Placement Agent at each Representation Date as follows:

(i) Good and Marketable Title. The Selling Shareholder now has and at the Closing Time will have good and marketable title to the Securities to be sold by it, free and clear of any liens, encumbrances, equities and claims, and full right, power and authority to effect the sale and delivery of the Securities. Upon the delivery of, against payment for, the Securities pursuant to this Agreement and the Bidder Letter with each Winning Bidder and, assuming a Winning Bidder does not have notice of any adverse claim (within the meaning of the Uniform Commercial Code as in effect in the State of New York), such Winning Bidder will acquire good and marketable title thereto, free and clear of any liens, encumbrances, equities and claims.

(ii) Authorization of Agreement. The Selling Shareholder has full right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and this Agreement has each been duly authorized, executed and delivered by or on behalf of the Selling Shareholder.

(iii) Absence of Further Requirements. No consent, approval or waiver is required under any instrument or agreement to which the Selling Shareholder is a party or by which the Selling Shareholder is bound in connection with the Auction, the offering and sale by the Selling Shareholder and the purchase by a Winning Bidder of any of the Securities under this Agreement or the Bidder Letter with such Winning Bidder or the consummation by the Selling Shareholder of any of the other transactions contemplated under this Agreement or such Bidder Letter.

(d) *Officer's Certificates.* Any certificate signed by any officer of the Company or any of its subsidiaries (including the Bank) and delivered to the Winning Bidder(s) and/or the Placement Agents shall be deemed a representation and warranty by the Company and, if applicable, the Bank to the Winning Bidder(s) and the Placement Agents as to the matters covered thereby.

## SECTION 2. Sale and Delivery of Securities; Closing.

(a) *Securities.* On the basis of the representations, warranties and covenants contained herein and in each Bidder Letter, and subject to the terms and conditions contained herein and in the Auction Procedures described in each Bidder Letter, the Selling Shareholder agrees to sell, and each Placement Agent agrees to use commercially reasonable efforts to place, the number of Securities at the clearing price, in each case, determined in accordance with the Auction Procedures, directly to the Bidder or Bidders that the Placement Agents and the Selling Shareholder determine, pursuant to the Auction Procedures, has won the Auction (each such Bidder, a "Winning Bidder"); provided that the Selling Shareholder may, in its discretion, determine not to sell any Securities upon completion of the Auction. The Selling Shareholder shall notify the Placement Agents whether it has decided to sell the Securities in the Auction as promptly as practicable after completion of the Auction and determination of the clearing price, as well as the specific number of Securities it has decided to sell.



(b) *Compensation.* The Company shall not be responsible for the payment of any fees to the Placement Agents hereunder for the services to be provided by the Placement Agents in connection with the Auction.

(c) *Payment.* Payment of the purchase price for, and delivery of certificates for, the Securities shall be made at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP, or at such other place as shall be agreed upon by the Winning Bidder(s) and the Selling Shareholder, at 9:00 A.M. (New York City time) on the eighth business day after the Pricing Date, or such other time not later than ten business days after such date as shall be agreed upon by the Winning Bidder(s) and the Selling Shareholder (such time and date of payment and delivery being herein called "Closing Time").

Prior to the Closing Time, the Selling Shareholder, or a Placement Agent, if so directed by the Selling Shareholder, will provide payment and wire transfer instructions to the Winning Bidder(s). At or prior to the Closing Time, each Winning Bidder shall make payment to the Selling Shareholder by wire transfer of immediately available funds in accordance with such instructions against delivery at the Closing Time to such Winning Bidder of certificates for the Securities in physical form registered in the name of such Winning Bidder or its authorized agent or nominee.

Notwithstanding anything to the contrary contained herein, neither Placement Agent shall have any obligation to purchase any Securities from the Selling Shareholder or have any liability, to the Selling Shareholder or otherwise, in the event that a Winning Bidder fails to consummate the purchase of the Securities.

SECTION 3. Covenants of the Company. The Company covenants with the Winning Bidder(s), each Placement Agent and the Selling Shareholder as follows:

(a) *Update of Information.* If, prior to the Closing Time, any event shall occur or condition shall exist which would, singly or in the aggregate, result in a Material Adverse Effect the Company will promptly give the Winning Bidder(s), the Placement Agents and the Selling Shareholder written notice of such event or condition and effects therefrom, as well as copies of any related documentation.

(b) *Blue Sky Qualifications.* The Company will use its best efforts, in cooperation with the Placement Agents and the Selling Shareholder, to qualify the Securities for offering and sale under the applicable securities laws of such states as the Placement Agents and the Selling Shareholder may reasonably designate and to maintain such qualifications in effect so long as required to complete the placement of the Securities; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(c) *Restriction on Sale of Securities.* During a period of 30 days from the date of this Agreement, the Company will not, without the prior written consent of the Placement Agents, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to

purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any shares of preferred stock or any securities convertible into or exercisable or exchangeable for preferred stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of preferred stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of preferred stock or such other securities, in cash or otherwise.

(d) *Registrar; Transfer Agent.* The Company will maintain a registrar and transfer agent for the Securities.

#### SECTION 4. [Intentionally Omitted]

#### SECTION 5. Payment of Expenses.

(a) *Expenses.* The Company will pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, issuance and delivery of the certificates for the Securities in physical form to each Winning Bidder, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to such Winning Bidder, (ii) the fees and disbursements of the Company's counsel and other advisors, (iii) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(b) hereof, (iv) the fees and expenses of the registrar and transfer agent for the Securities, (v) the costs and expenses of any state securities law analysis in connection with the transactions contemplated by this Agreement, and (vi) the costs and expenses (including, without limitation, any damages or other amounts payable in connection with legal or contractual liability) associated with the reforming of any contracts for sale of the Securities caused by a breach of the representation contained in Section 1(a)(i) hereof.

(b) *Termination of Agreement.* If this Agreement is terminated by the Placement Agents in accordance with the provisions of Section 6 or Section 10(a)(i) hereof, the Company shall reimburse the Placement Agents for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Placement Agents.

(c) *Other Agreement.* The provisions of this Section 5 shall not supersede or otherwise affect any agreement that the Company and the Selling Shareholder may otherwise have entered into for the allocation of such expenses between them.

SECTION 6. Conditions of Placement Agents' Obligations. The obligations of the Placement Agents hereunder are subject to the accuracy of the representations and warranties contained herein or in certificates of any officer of the Company or any of its subsidiaries (including the Bank) delivered pursuant to the provisions hereof, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) *Opinion of Counsel for Company.* At the Closing Time, the Placement Agents and the Selling Shareholder shall have received the favorable opinion, dated the Closing Time, of Lane & Waterman LLP, counsel for the Company, in form and substance satisfactory to the

Placement Agents and the Selling Shareholder, to the effect set forth in Exhibit A hereto and to such further effect as counsel to the Placement Agents and the Selling Shareholder may reasonably request.

(b) *Officers' Certificate.* At the Closing Time, there shall not have been, since the date hereof or since the date of the latest audited balance sheet included in the last financial statements of the Company filed with the applicable regulator any Material Adverse Change, and the Placement Agents and the Selling Shareholder shall have received a certificate of the Chief Executive Officer or the President and of the chief financial or chief accounting officer of the Company, dated the Closing Time, to the effect set forth in Exhibit B hereto.

(c) *Evidence of Blue Sky Compliance.* If any directors or executive officers of the Company are intending to bid in the Auction, the Company shall have delivered to the Selling Shareholder and the Placement Agents, prior to the date hereof, evidence sufficient to the Selling Shareholder and the Placement Agents that such directors and/or executive officers of the Company have complied and will comply with the requirements under applicable state securities law.

(d) *Maintenance of Rating.* Since the execution of this Agreement, there shall not have been any decrease in or withdrawal of the rating of any securities of the Company or any of its subsidiaries (including the Bank) by any "nationally recognized statistical rating organization" (as defined for purposes of Section 3(a)(62) of the 1934 Act) or any notice given of any intended or potential decrease in or withdrawal of any such rating or of a possible change in any such rating that does not indicate the direction of the possible change.

(e) *Determination of Clearing Price.* The Selling Shareholder and the Placement Agents shall have determined, in writing, the clearing price for the Securities in the Auction.

(f) *Reissuance of Securities.* The Company shall have reissued the Securities, in the respective numbers determined in accordance with the Auction Procedures, in physical form in the name of each Winning Bidder or its authorized agent or nominee.

(g) *Additional Documents.* At the Closing Time, all proceedings taken by the Company and the Bank in connection with this Agreement shall be satisfactory in form and substance to the Selling Shareholder and the Placement Agents.

(h) *Termination of Agreement.* If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, the obligations of the Placement Agents may be terminated by the Placement Agents by notice to the Company and the Selling Shareholder at any time at or prior to Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 5 and except that Sections 1, 7, 8, 9, 14, 15 and 16 shall survive any such termination and remain in full force and effect.

## SECTION 7. Indemnification.

(a) *Indemnification of Agents.* The Company and the Bank, jointly and severally, agree to indemnify and hold harmless each Placement Agent, its affiliates (as such term is defined in Rule 501(b) promulgated under the 1933 Act (each, an "Affiliate")), selling agents,

partners, officers and directors, each person, if any, who controls a Placement Agent within the meaning of Section 15 of the 1933 Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), the Selling Shareholder and the Selling Shareholder's agents, including, without limitation, Houlihan Lokey Capital, Inc. (the "Financial Agent") as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of (1) the engagement as Placement Agent under this Agreement, (2) any untrue statement or alleged untrue statement of a material fact included in any information provided by the Company or its subsidiaries to the Bidders, or the omission or alleged omission in such information (or any amendment or supplement thereto) of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (3) the breach or alleged breach of any representation, warranty or covenant of the Company or the Bank under this Agreement;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 7(c) hereof) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by the Placement Agents), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above.

(b) *Actions against Parties; Notification.* Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or

parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 7 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the immediately preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (together with local counsel), approved by the indemnifying party (or by the Placement Agents in the case of Section 8 hereof), representing the indemnified parties who are parties to such action) or (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 7 or Section 8 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(c) *Settlement without Consent if Failure to Reimburse.* If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 7(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request (other than those fees and expenses that are being contested in good faith) prior to the date of such settlement.

(d) *Exclusion.* Notwithstanding the foregoing, the indemnification provided for in this Section 7 and the contribution provided for in Section 8 shall not apply to the Bank to the extent that such indemnification or contribution, as the case may be, by the Bank is found by any Regulatory Agency, or in a final judgment by a court of competent jurisdiction, to constitute a transaction that is subject to the provisions of Section 23A or Section 23B of the Federal Reserve Act.

**SECTION 8. Contribution.** If the indemnification provided for in Section 7 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses

incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Bank and the Selling Shareholder, on the one hand, and the Placement Agents, on the other hand, from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, the Bank and the Selling Shareholder, on the one hand, and the Placement Agents, on the other hand, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company, the Bank and the Selling Shareholder, on the one hand, and the Placement Agents, on the other hand, in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company, the Bank and the Selling Shareholder, on the one hand, and the total placement fees received by the Placement Agents, on the other hand, bear to the aggregate initial offering price of the Securities.

The relative fault of the Company, the Bank and the Selling Shareholder, on the one hand, and the Placement Agents, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Bank or the Selling Shareholder or by the Placement Agents, as the case may be, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation (even if the Placement Agents were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 8 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 8, neither Placement Agent shall be required to contribute any amount in excess of the placement fees received by such Placement Agent in connection with the Securities sold through it as agent.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 8, each person, if any, who controls a Placement Agent within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and each

Placement Agent's Affiliates, selling agents, partners, officers and directors shall have the same rights to contribution as such Placement Agent. The Placement Agent's respective obligations to contribute pursuant to this Section 8 are several in proportion to the number of Securities sold through each of them as agent, and not joint.

SECTION 9. Representations, Warranties and Agreements to Survive. All representations, warranties and agreements contained in this Agreement, or in certificates of officers of the Company or any of its subsidiaries (including the Bank) submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of a Placement Agent or its Affiliates, partners, officers, directors and or selling agents, any person controlling a Placement Agent or any person controlling the Company or the Selling Shareholder or any representative of the Selling Shareholder and (ii) delivery of and payment for the Securities.

SECTION 10. Termination of Agreement.

(a) *Termination.* The Placement Agents may terminate this Agreement, by notice to the Company and the Selling Shareholder, at any time at or prior to the Closing Time, (i) if there has been, in the judgment of the Placement Agents, since the time of execution of this Agreement or since the date of the latest audited balance sheet included in the last financial statements of the Company filed with the applicable regulator any Material Adverse Change, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Placement Agents, impracticable or inadvisable to proceed with the completion of the offering of the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading generally on the New York Stock Exchange or in the Nasdaq Global Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by order of the Securities and Exchange Commission, FINRA or any other Governmental Entity, or (iv) if a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or with respect to Clearstream or Euroclear systems in Europe, or (v) if a banking moratorium has been declared by either Federal, New York or Iowa authorities.

(b) *Liabilities.* If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 5 hereof, and provided further that Sections 1, 7, 8, 9, 14, 15 and 16 shall survive such termination and remain in full force and effect.

SECTION 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Placement Agents shall be directed to Stifel at 237 Park Avenue, 8th Floor, New York, New York 10017, attention of Ben Plotkin, with a copy to Capital Markets Legal, and Merrill Lynch at One Bryant Park, New York, New York 10036, attention of Syndicate Department, with a copy to Capital Markets Legal; notices to the

Company and the Bank shall be directed to it at 852 Middle Road, Bettendorf, Iowa 52722, attention of Douglas M. Kratz, Chairman, with a copy to Lane & Waterman LLP, 220 N. Main St. Suite 600, Davenport, Iowa 52801, attention of Rian D. Waterman, Esq.; and notices to the Selling Shareholder shall be directed to it at 1500 Pennsylvania Avenue, N.W., Washington, D.C. 20220, Attention: Chief Counsel, Office of Financial Stability, facsimile number (202) 927-9225.

SECTION 12. No Advisory or Fiduciary Relationship. Each of the Company and the Bank acknowledges and agrees that (a) the transaction contemplated by this Agreement, including the determination of the offering price of the Securities and any related commissions, is an arm's-length commercial transaction between the Company and the Bank, on the one hand, and the Placement Agents, on the other hand, (b) in connection with the offering of the Securities and the process leading thereto, neither Placement Agent is or has been acting as a principal, agent or fiduciary of the Company or any of its subsidiaries or any of their respective stockholders, creditors or employees or any other party, (c) neither Placement Agent has assumed or will assume an advisory or fiduciary responsibility in favor of the Company or any of its subsidiaries, including the Bank, with respect to the offering of the Securities or the process leading thereto (irrespective of whether such Placement Agent has advised or is currently advising the Company or any of its subsidiaries, including the Bank, on other matters) or any other obligation to the Company or any of its subsidiaries, including the Bank, with respect to the offering of the Securities, (d) the Placement Agents and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and the Bank, and (e) the Placement Agents have not provided any legal, accounting, financial, regulatory or tax advice with respect to the offering of the Securities and each of the Company and the Bank has consulted its own respective legal, accounting, financial, regulatory and tax advisors to the extent it deemed appropriate.

SECTION 13. Parties. This Agreement shall inure to the benefit of and be binding upon the Placement Agents, the Company, the Bank, the Selling Shareholder, the Financial Agent and the Winning Bidder(s) and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Placement Agents, the Company, the Bank, the Selling Shareholder, the Financial Agent and the Winning Bidder(s) and the successors and the controlling persons, Affiliates, selling agents, officers and directors referred to in Sections 7 and 8 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Placement Agents, the Company, the Bank, the Selling Shareholder, the Financial Agent and the Winning Bidder(s) and such successors, controlling persons, Affiliates, selling agents, officers and directors, heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities shall be deemed to be a successor by reason merely of such purchase. The Placement Agents, the Company, the Bank, the Selling Shareholder and the Winning Bidder(s) agree that the Financial Agent shall be an express third party beneficiary of this Agreement, and entitled to enforce any rights granted to the Financial Agent hereunder as if it were a party hereto.

SECTION 14. Trial by Jury. Each of the parties hereto other than the Selling Shareholder (on its behalf and, to the extent permitted by applicable law, on behalf of its



stockholders and affiliates) hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

SECTION 15. GOVERNING LAW. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW YORK WITHOUT REGARD TO ITS CHOICE OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF NEW YORK), PROVIDED THAT ALL RIGHTS AND OBLIGATIONS OF THE SELLING SHAREHOLDER UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE FEDERAL LAWS OF THE UNITED STATES OF AMERICA.

SECTION 16. Consent to Jurisdiction. Each of the parties hereto other than the Selling Shareholder agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") shall be instituted in (i) the federal courts of the United States of America located in the City and County of New York, Borough of Manhattan or (ii) the courts of the State of New York located in the City and County of New York, Borough of Manhattan (collectively, the "Specified Courts"), and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any Specified Court (a "Related Judgment"), as to which such jurisdiction is non-exclusive) of the Specified Courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or proceeding brought in any Specified Court. Each of the parties hereto irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any Specified Court that any such suit, action or proceeding brought in any Specified Court has been brought in an inconvenient forum.

SECTION 17. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

SECTION 18. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Placement Agent, the Company, the Bank and the Selling Shareholder in accordance with its terms.

Very truly yours,

NATIONAL BANCSHARES, INC.

By: 

Name: Douglas M. Kratz  
Title: Chief Executive Officer

THE NATIONAL BANK, N.A.

By: \_\_\_\_\_

Name: John D. DeDoncker  
Title: President and Chief Executive Officer

UNITED STATES DEPARTMENT OF  
THE TREASURY, as Selling Shareholder

By: \_\_\_\_\_

Name:  
Title:

CONFIRMED AND ACCEPTED,  
as of the date first above written:

STIFEL, NICOLAUS & COMPANY, INCORPORATED,  
as Placement Agent

By: \_\_\_\_\_  
Authorized Signatory

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among each Placement Agent, the Company, the Bank and the Selling Shareholder in accordance with its terms.

Very truly yours,

NATIONAL BANCSHARES, INC.

By: \_\_\_\_\_  
Name: Douglas M. Kratz  
Title: Chief Executive Officer

THE NATIONAL BANK

By: \_\_\_\_\_  
Name: John D. DeDoncker  
Title: President and Chief Executive Officer

UNITED STATES DEPARTMENT OF  
THE TREASURY, as Selling Shareholder

By: \_\_\_\_\_  
Name:  
Title:

CONFIRMED AND ACCEPTED,  
as of the date first above written:

STIFEL, NICOLAUS & COMPANY, INCORPORATED,  
as Placement Agent

By: \_\_\_\_\_  
Authorized Signatory

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among each Placement Agent, the Company, the Bank and the Selling Shareholder in accordance with its terms.

Very truly yours,

NATIONAL BANCSHARES, INC.

By: \_\_\_\_\_  
Name: Douglas M. Kratz  
Title: Chief Executive Officer

THE NATIONAL BANK

By: \_\_\_\_\_  
Name: John D. DeDoncker  
Title: President and Chief Executive Officer

UNITED STATES DEPARTMENT OF  
THE TREASURY, as Selling Shareholder

By: \_\_\_\_\_  
Name: Timothy G. Massad  
Title: Assistant Secretary for Financial  
Stability

CONFIRMED AND ACCEPTED,  
as of the date first above written:

STIFEL, NICOLAUS & COMPANY, INCORPORATED,  
as Placement Agent

By: \_\_\_\_\_  
Authorized Signatory

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among each Placement Agent, the Company, the Bank and the Selling Shareholder in accordance with its terms.

Very truly yours,

NATIONAL BANCSHARES, INC.

By: \_\_\_\_\_  
Name: Douglas M. Kratz  
Title: Chief Executive Officer

THE NATIONAL BANK

By: \_\_\_\_\_  
Name: John D. DeDoncker  
Title: President and Chief Executive Officer

UNITED STATES DEPARTMENT OF  
THE TREASURY, as Selling Shareholder

By: \_\_\_\_\_  
Name:  
Title:

CONFIRMED AND ACCEPTED,  
as of the date first above written:

STIFEL, NICOLAUS & COMPANY, INCORPORATED,  
as Placement Agent

By: \_\_\_\_\_

Authorized Signatory

MANAGING DIRECTOR  
LISA J SCHULTZ

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED, as Placement Agent

By: 

Authorized Signatory

SCHEDULE A

Form of Bidder Letter

SCHEDULE B

Disclosure Schedules



### Section 1(a)(i) – Financial Statements

The Company has recorded a net deferred tax asset of approximately \$4,833,000 as of September 30, 2012 (\$8,008,000 net of a valuation allowance of \$3,175,000). In connection with the yearend audit for December 31, 2012, the Company is proposing the reversal of approximately \$2,600,000 of this allowance based on its ability to realize substantially all of this asset. The Company is waiting for a response from its external auditors on this matter. There is no valuation allowance recorded on the Bank's records as to the net deferred tax asset. For regulatory capital purposes, the Company and the Bank are restricted to the amount of net deferred tax assets that may be included for regulatory capital purposes as noted in the respective quarterly regulatory financial statement filings. Depending upon the treatment of the proposed reversal of the allowance under GAAP, such reversal may materially change the net book value of the Company.

The financial statements of the Company and the Bank filed with their respective regulators during the past five fiscal years and any interim periods since the most recent fiscal year end, as amended as set forth below, present fairly the financial position of the Company and its consolidated subsidiaries and the Bank at the dates and for the periods of such statements.

The following financial statements were amended after initial filing with the Company's and the Bank's regulators, primarily as a result of the subjective nature of GAAP:

| <u>Bank – Call Reports</u> | <u>Company - FRY9C</u> | <u>Company - FRY9LP</u> |
|----------------------------|------------------------|-------------------------|
| December 31, 2008          | December 31, 2008      | September 30, 2008      |
| March 31, 2009             | March 31, 2009         | December 31, 2008       |
| June 30, 2009              | June 30, 2009          | March 31, 2009          |
| December 31, 2009          | December 31, 2009      | September 30, 2009      |
| June 30, 2010              | September 30, 2010     | December 31, 2009       |
| December 31, 2010          | December 31, 2010      | December 31, 2010       |
| December 31, 2011          | December 31, 2011      | December 31, 2011       |

### Section 1(a)(ii)(A) – No Material Adverse Change

As of the date hereof, the Company has pursued, and is currently and in the future intends to continue pursuing, strategic initiatives including, but not limited to, mergers and capital raising activities. If consummated, the Company expects that the activities and transactions below could result in a Material Adverse Change.

Strategic initiatives that the Company is currently pursuing include:

#### I. Recent and Current Prospective Acquirers.

- a. In June 2012, through a Dallas-based investment banking firm, a Texas-based platform banking organization made initial contact with the Company as to the possibility of acquiring the Company via a merger. To consummate the proposed acquisition, the potential acquirer would be required to raise at least \$40 million (and possibly as much as \$60 million) of additional equity capital via a private placement. Subsequent to preliminary offsite due diligence of the Company, the potential acquirer presented the Company with a letter of intent which was rejected by the Company as not well defined and with too many uncertainties. In response to the Company's rejection, the potential acquirer asked the Company if it could perform further due diligence in hopes of subsequently presenting the Company with a revised letter of intent. The Company granted the potential acquirer's request. In November, subsequent to additional due diligence, the potential acquirer presented the Company with an outline (not a letter of intent) describing the proposed financial structure should the two entities merge. The Company rejected the company's proposal as presented. The potential acquirer then revised the financial structure of the proposed merger once again. In response, in lieu of accepting or rejecting the revised financial structure, the Company agreed to allow the potential acquirer to perform further due diligence on the Company and also requested that its board of directors meet with the potential acquirer's board of directors and executive/senior management. The Company subsequently informed the potential acquirer that it would engage a third-party consulting firm to perform reverse due diligence on the potential acquirer. Said consulting firm commenced due diligence of the potential acquirer as of January 2013. If a merger were to be consummated, it may result in a Material Adverse Change.
- b. In October 2012, executive management of an Illinois-based publicly held community bank holding company met with executive management of the Company to discuss the possibility of acquiring the Company via merger. To consummate the proposed merger, the potential acquirer said that it would be required to raise a significant amount of equity capital via a secondary offering. Subsequent to the aforementioned meeting of the executives of both organizations, the Company agreed to provide the potential acquirer with financial information in order that its executives, with the assistance of its investment advisor, could commence financial modeling of the proposed merger. As of the date hereof, the Company believes the potential acquirer has not

commenced in earnest its financial modeling of the proposed merger, but has agreed to exchange year-end 2012 financial information when such information has been completed. Should the potential acquirer approve of the financial model, it will then have to determine the viability of being able to successfully raise additional equity capital in order to acquire the Company. Assuming the potential acquirer determines such is viable, it is presumed that the potential acquirer would then forward to the Company's board of directors a letter of intent. Obviously, it is unknown at this time whether the Company's board of directors would find the terms of the potential acquirer's letter of intent acceptable. If a merger were to be consummated, it may result in a Material Adverse Change.

II. TARP (auction-related)

- a. Upon the Company's management coming to the realization that the Selling Shareholder would more than likely auction off its TARP obligation to the private sector, the Company commenced communications with numerous parties to not only learn more about the auction process but also to see what alternatives are available, post auction, as to resolving its TARP obligation. If the Company is unable to raise additional equity capital or consummate a merger, the Company may be unable to satisfy its TARP obligations, which would result in a Material Adverse Change.

### Section 1(a)(ii)(B) – No Material Transactions

As of the date hereof, the Company has pursued, and is currently and in the future intends to continue pursuing, strategic initiatives including, but not limited to, mergers and capital raising activities. If consummated, the Company expects that these types of activities and transactions could be material with respect to the Company and its subsidiaries considered as one enterprise.

Examples of past strategic initiatives that the Company has pursued have included, among other things:

#### I. Proposed Rights Offerings.

- a. \$25 Million Rights Offering. The Company's management worked on a \$25 million rights offering during the first quarter of 2010, but dropped this initiative in lieu of pursuing an initial public offering.
- b. \$80 Million Rights Offering. In December 2010, the Company's management floated the idea of a rights offering with the Company's current institutional shareholders along with outside institutional investors. Management quickly came to the conclusion that a sizable rights offering was a non-starter.

#### II. Proposed \$50 Million Initial Public Offering.

- a. The Company engaged an investment banking firm to assist in its efforts to raise equity capital.
- b. The Company's management worked with corporate counsel on an S-1 Registration Statement for the Securities Exchange Commission during the second quarter of 2010.
- c. During the third quarter of 2010, due to unsettled public markets, and coupled with the Bank facing a Formal Agreement with the Office of the Comptroller of the Currency, the Company shelved its initial public offering efforts even though the S-1 Registration Statement was essentially complete.

#### III. Proposed Sale of Problem Assets and Simultaneous \$55 Million Private Placement.

- a. An investment banking firm approached the Company in the summer of 2010 with the concept of selling approximately \$70 million of the Bank's problem assets at distressed prices while simultaneously raising up to \$55 million of additional equity capital, via a private placement, for the Company. After a few months of working on the project, management of the Company and representatives of the investment banking firm mutually agreed that the project would not come to fruition.

#### IV. Prospective Acquirers (Act I).

- a. During the second quarter of 2011, with the assistance of an investment banking firm, the Company sought out potential acquirers. Initially, seven different community bank holding companies performed preliminary offsite due diligence on the Company. However, subsequent to due diligence, only one Central Illinois-based community bank holding company presented the Company with a letter of intent to acquire the Company via a merger. For numerous reasons, the potential acquirer's letter of intent was rejected as unacceptable by the Company's board of directors, and the Company disengaged the investment banking firm from soliciting potential acquirers in June 2011.

V. Prospective Acquirers (Act II).

- a. In December 2011, the potential acquirer described in paragraph IV above presented the Company with an unsolicited, but revised, letter of intent.
- b. The Company re-engaged the investment banking firm described in paragraph IV above in February 2012 to advise the Company as to the potential acquirer's revised letter of intent and to also check the marketplace for any other potential acquirers of the Company. In response, three other Illinois-based firms expressed preliminary interest in acquiring the Company. However, with the exception of the Central Illinois-based community bank holding company, the other three firms, decided to pass on the acquisition opportunity.
- c. As to the aforementioned potential acquirer, after several months of back and forth negotiations, in June 2012, it too walked away from acquiring the Company, the reason being the proposed Basel III capital rules. Essentially, said company felt that under Basel III, it would be required to raise substantial equity capital to consummate the acquisition of the Company; thus, making the proposed acquisition, at least in the eyes of said company's board of directors, economically not viable.

VI. Capital Raising Activities.

- a. \$4.5 Million Convertible Senior Note Offering ("2011 Convertible Senior Notes"). The Company finalized a Convertible Senior Note Offering as of March 25, 2011, with an issuance totaling \$2,890,000. See Section 1(a)(iv) of this Schedule B.
- b. Sale of Branch Banking Offices. After unsuccessfully attempting to market several of its rural branch banking offices, the Bank consummated the sale of its Aledo, Illinois branch office in December 2011.
- c. \$750,000 Convertible Senior Notes ("2012 Convertible Senior Notes"). The Company finalized a Convertible Senior Note Offering as of September 25, 2012 with the issuance totaling \$750,000. See Section 1(a)(iv) of this Schedule B. The

Company had proposed a \$4.5 million convertible note offering in early 2012, similar to that proposed (and approved by the Federal Reserve Bank of Chicago) in March 2011, but such request was rejected by the Federal Reserve Bank of Chicago in 2012.

- VII. Please see Section 1(a)(ii)(A) of this Schedule B for ongoing transactions which could be material with respect to the Company and its subsidiaries considered as one enterprise.

Section 1(a)(iii) – Good Standing of the Company

Articles of Amendment to the Company's Charter and By-Laws have been authorized and approved by the Company's Board of Directors and its stockholders to implement, at the discretion of the Board of Directors of the Company, a 1-for-15 reverse stock split of the common stock of the Company. If the Articles of Amendment to effect such reverse stock split have not been filed with the Iowa Secretary of State by the close of business on September 30, 2013, the Company's Board of Directors will lose authority to make such filing. While the Company is not presently considering any specific stock offering or other capital raising plans, in order to implement any capital raising activities that may arise in the future, it may be necessary to increase the Company's book value per share through the reverse stock split in order to appropriately determine the offering price per share of the Company's common stock.

### Section 1(a)(iv) – Good Standing of Subsidiaries

All of the outstanding shares of common stock of the Bank, which are held by the Company, have been pledged by the Company as collateral under the following debt facilities:

- a. Senior secured debt. \$13,039,331 owed to BMO Harris Bank, N.A. ("BMO Harris") Principal balance all due March 31, 2013. In addition to all of the outstanding shares of common stock of the Bank, the loan is secured by a \$1 million depository account. The loan agreement between the Company and BMO Harris requires that the Company and the Bank meet certain financial covenants. As of the date of this Agreement, the Company and the Bank are in compliance with these financial covenants. Due to the upcoming maturity date of the loan, the Company has initiated communications with representatives of BMO Harris as to extending the maturity date of the loan with the understanding that the loan would be put on an amortization schedule. Since no assurances can be given that BMO Harris will extend the maturity date, the Company has also initiated communications with alternative lenders should BMO Harris not renew the loan. If an extension or arrangement with an alternative lender cannot be finalized by March 31, 2013, the Company will be in default of the loan and BMO Harris may exercise its rights and remedies with respect thereto, including exercising its security interest in the stock of the Bank, which would result in a Material Adverse Effect.
- b. Junior secured debt ("2011 Convertible Senior Notes"). \$2,890,000 owed to various individuals/entities. Principal balance of the 2011 Convertible Senior Notes was originally due on March 25, 2013 but has been extended until September 25, 2013. All payments of interest and principal on the 2011 Convertible Senior Notes are subject to prior approval of the Federal Reserve Bank of Chicago. The Company has secured approval from the Federal Reserve Bank of Chicago to pay interest on the 2011 Convertible Senior Notes through March 25, 2013. The 2011 Convertible Senior Notes are secured by 100% of the outstanding shares of common stock of the Bank, subject only to the loan balance due and payable to the senior secured lender (currently BMO Harris). The 2011 Convertible Senior Notes are convertible into shares of common stock of the Company at the option of the holders any time prior to final maturity of the 2011 Convertible Senior Notes. As of the date of this Agreement, the Company is not in default under the terms of the 2011 Convertible Senior Notes.
- c. Junior secured debt ("2012 Convertible Senior Notes"). \$750,000 owed to various individuals/entities. Principal balance of the 2012 Convertible Senior Notes is due on September 25, 2014. All payments of interest and principal are subject to prior approval of the Federal Reserve Bank of Chicago. Further, should the Federal Reserve Bank of Chicago not approve the payment of the principal balance of the 2012 Convertible Senior Notes on or before the September 25, 2014 maturity date, the 2012 Convertible Senior Notes (principal and accrued interest) are mandatorily convertible into shares of common stock of the Company. The 2012 Convertible Senior Notes are secured by 100% of the outstanding shares of common stock of the Bank, subject only to the loan balance due and payable to the senior secured lender (currently BMO Harris). The collateral position of the 2012 Convertible Senior Noteholders is *pari passu* with that of the 2011 Convertible Senior



Noteholders. As of the date of this Agreement, the Company is not in default under the terms of the 2012 Convertible Senior Notes.

## Section 1(a)(v) – Regulatory Matters

### Regarding the Company:

In October 2010, the Company's board of directors, at the request of the Federal Reserve Bank of Chicago, approved the following resolution (which remains in effect as of the date of this Agreement):

RESOLVED, that the Board of Directors of National Bancshares, Inc. will seek and receive approval from the Federal Reserve Bank of Chicago at least 45 days prior to any of the following:

- Declaration or payment of corporate dividends;
- Distribution of interest, principal or other sums on subordinate debentures or trust preferred securities;
- Increase of debt (notification should include a written debt service plan indicating how payments will be made without causing further strain on THE National Bank's capital position); or
- Redemption of holding company stock

Under the terms of the Securities, if dividends payable on the Securities have not been paid for an aggregate of six quarterly Dividend Periods (as defined therein), the Selling Shareholder, as holder of the Securities, has the right to elect two directors to the board of directors of the Company. In June 2011, the Selling Shareholder, with the approval of both the Company's and the Bank's boards of directors, directed one of its representatives to attend, as an observer, all regularly scheduled board meetings of the Company and the Bank, in lieu of exercising its rights to elect two directors under the terms of the Securities.

### Regarding the Bank:

On January 26, 2011, the Bank entered into a Formal Agreement with the Office of the Comptroller of the Currency. Said Agreement was terminated by the OCC on August 7, 2012. However, the Bank is required to, due to prior losses and its retained earnings account being in a negative position, seek prior approval from the OCC for the payment of dividends. To that end, the Bank has recently received prior approval from the OCC to pay up to \$5 million in cash dividends during calendar year 2013, subject to certain conditions, including but not limited to the maintenance of certain capital ratios. Based upon such approval, the Bank paid \$1.25 million of dividends on January 25, 2013. Should the Bank receive approval from the OCC for the payment of additional dividends, then subject to the prior approval of the Federal Reserve Bank of Chicago and the Company's senior secured lender (currently BMO Harris Bank, N.A.), the total amount of said dividends will be used to amortize the Company's senior secured indebtedness, pay interest, and possibly a certain dollar amount towards reducing the principal balance on the 2011 and/or 2012 Senior Convertible Notes, with any remaining monies to be used towards daily operations. Accordingly, unless the Company is successful in refinancing its current senior secured loan with BMO Harris into a larger dollar amount, the projected \$5 million of cash dividends (subject to the conditions referenced above) may not be sufficient enough to pay towards the ongoing interest (including \$2,342,000 of deferred interest) on the

Company's trust preferred securities. Under no current scenario would there be enough funds available to pay cash dividends on the Company's Class A Convertible Preferred Stock and Class B Preferred Stock (including the Securities). To that end, other than increasing the dollar amount of the Company's senior secured loan and/or obtaining additional equity capital from an outside source, the Company is dependent upon cash dividends from the Bank to service its outstanding indebtedness and maintain daily operations.

#### Regulatory Proposals to Enhance Regulatory Capital Requirements

In June 2012, the U.S. federal banking agencies issued three notices of proposed rulemaking that would revise and replace current regulatory capital rules. The proposals suggested an effective date of January 1, 2013. Subsequently, the agencies determined that these proposed rules would not become effective on January 1, 2013. No further guidance has been issued on the proposed rules. As a result, the Company and the Bank are unable to assess what the impact of any final proposed rules may have on either entities respective capital requirements.

Section 1(a)(vi) – Capitalization

A *de minimis* amount of Company common stock and Class A Preferred Stock is held by the Bank, as such was received in partial satisfaction of a “debt previously contracted,” and such amount is not reflected the last filing of financial statements by the Company with the applicable regulator, as such amount is immaterial.

### Section 1(a)(xviii) – Dividend Payments

Class A Convertible Preferred Stock. \$11,404,890 (11,404,890 shares with a stated value of \$1 per share) issued and outstanding to various individuals/entities. The Class A Convertible Preferred Stock is convertible into shares of common stock of the Company only at the option of the holders and pays 8% non-cumulative quarterly dividends. The Company has been required to seek prior approval of the Federal Reserve Bank of Chicago as to the payment of dividends on the Company's Class A Convertible Preferred Stock (please see Section 1(a)(v) of this Schedule B). Additionally, under the terms of the TRUPS (as defined and discussed below), the Company is prohibited from paying any dividends while payments of interest on said TRUPS are in deferral. Because the Company has deferred its payments of interest under the TRUPS for 8 consecutive quarters, the Company has made no dividend payments on its Class A Convertible Preferred Stock since December 2010. As to liquidation rights, the Class A Convertible Preferred Stock is senior to the rights of the holders of the Company's common stock and *pari passu* to 100% of the Class B Preferred Stock issued to the Selling Shareholder.

Class B Preferred Stock (the Securities). \$24,664,000 (24,664 shares at \$1,000 per share liquidation preference) and \$1,233,000 (1,233 shares at \$1,000 per share liquidation preference) issued to the Selling Shareholder. Description and details of said stock can be obtained from the Selling Shareholder. Dividends are cumulative and currently are payable at the rate of 5% annually (increasing to 9% in 2014) on the Series T1 Securities and 9% on the Series T2 Securities. The Company has been required to seek prior approval from the Federal Reserve Bank of Chicago as to the payment of dividends on the Securities (please see Section 1(a)(v) of this Schedule B). Additionally, under the terms of the TRUPS (as defined and discussed below), the Company is prohibited from paying any dividends while payments of interest on said TRUPS are in deferral. Because the Company has deferred its payments of interest under the TRUPS for 8 consecutive quarters, the Company has made no dividend payments on the Securities since November 2010. As of December 31, 2012, cumulative deferred dividends for the Securities totaled approximately \$2,817,000. As to liquidation rights, both issuances of the Class B Preferred Stock are senior to the rights of the holders of the Company's common stock and *pari passu* to 100% of the holders of the Company's Class A Convertible Preferred Stock.

As of the date of this Agreement, and absent any additional equity capital raise, consummation of a merger transaction, or refinancing of the Company's existing senior secured debt with BMO Harris, the Company does not have the financial capacity to pay its existing obligations under the TRUPS, and is therefore unable to make any payment of dividends on the Securities nor will the Company request regulatory approval to do so while contractually barred from making such dividend payments. Therefore, as of the date of this Agreement, the Company does not expect to pay the February 2013 dividends on the Securities. The Company makes no representation regarding the likelihood of success of any future equity capital raise, consummation of a merger transaction, or refinancing of the Company's existing senior secured debt with BMO Harris.

The terms of the Securities provide that if dividends on the Securities are not paid for six quarters, whether or not consecutive, the holders of the Securities have the right to vote to appoint two members to the board of directors of the Company. Also, the special voting rights associated with the Securities allow the holders to vote as a class for directors separate from the owners of the common and other voting securities. Therefore, the Securities may be considered

voting securities for purposes of the Bank Holding Company Act of 1956, as amended and the Change in Bank Control Act.

Trust Preferred Securities (“TRUPS”). The Company has issued trust preferred securities (also known as junior subordinated debentures) in the face amount of \$32,990,000, which are owed to numerous unidentified parties. The TRUPS consist of two different tranches (\$15,464,000 and \$17,526,000, respectively) of unsecured subordinated debt with varying terms and maturities. Since October 2010, the Company has been required to seek prior approval from the Federal Reserve Bank of Chicago as to the payment of interest on the Company’s outstanding TRUPS. See Section 1(a)(v) of this Schedule B. Because of the Company’s financial condition, the Company has not requested approval for, and has made no payments of interest on, the two tranches of TRUPS since December 2010 and January 2011. As of December 31, 2012, deferred and accrued interest for both tranches totaled approximately \$2,342,000. The Company has currently deferred eight (8) quarterly payments of interest under each tranche of TRUPS. Under the terms of the TRUPS, the Company may defer up to 20 quarterly interest payments before an event of default may be declared.

Interest on the Company’s TRUPS must be current prior to any payment of any dividends under the Series T1 Securities and Series T2 Securities. The Company is not currently in default under the terms of the TRUPS.

### Section 1(b)(ii) – Issuer Redemption or Repurchase

The Company may redeem the Securities, at any time, in whole or in part, at its option, subject to prior approval by the appropriate federal banking agency, for cash (out of funds legally available therefor), for a redemption price equal to 100% of the liquidation preference amount per share of the Securities plus any accrued and unpaid dividends to but excluding the date of redemption.

The Company may redeem the Series T2 Securities only after all outstanding shares of the Series T1 Securities have been redeemed, repurchased or otherwise acquired by it.

The Company's ability to redeem the Securities will depend on then-present facts and circumstances and the amount of capital it holds or can raise at the holding company level. In order for the Company to obtain approval from its applicable regulatory authorities to redeem the Securities, it would expect that such regulatory authorities would require the Company to satisfy its capital commitments to them, if any, after giving effect to the redemption of the Securities so approved.

As of the date of this Agreement, and absent any additional equity capital raise or the consummation of a merger transaction, the Company does not have the present intention or financial capacity to redeem, repurchase or exchange the Securities within the 12 months following the date of this Agreement. The Company makes no representation regarding the likelihood of success of any future equity capital raise or consummation of a merger transaction.

FORM OF OPINION OF COMPANY'S COUNSEL  
TO BE DELIVERED PURSUANT TO SECTION 6(a)

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Iowa.

(ii) The Company has corporate power and authority to enter into and perform its obligations under, and to consummate the transactions contemplated under, the Operative Documents.

(iii) The Securities have been duly authorized and validly issued and are fully paid and non-assessable and none of the Securities were issued in violation of the preemptive or other similar rights of any securityholder of the Company or any other entity.

(iv) The Placement Agency Agreement has been duly authorized, executed and delivered by each of the Company and the Bank.

(v) The Articles of Amendment for the Securities have been duly filed with the Secretary of State of the State of Iowa. The form of certificate representing the Securities complies in all material respects with the requirements of Iowa state law, the Charter and the By-Laws.

(vi) Assuming the accuracy of the representations, warranties and covenants of the Winning Bidder(s) set forth in Section 1 of the Bidder Letter(s), respectively, no filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any Governmental Entity is necessary or required for the Company or the Bank to enter into, or perform their respective obligations under, the Operative Documents or the consummation of the transactions contemplated in the Placement Agency Agreement, except such as have been already obtained.

(vii) The execution, delivery and performance of the Operative Documents and the consummation of the transactions contemplated in the Placement Agency Agreement and compliance by the Company and the Bank with their respective obligations under the Operative Documents do not and will not result in any violation of the provisions of the Charter, By-Laws or similar organizational documents of the Company or the Bank or any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to such counsel, of any Governmental Entity.

(viii) Assuming the accuracy of the representations, warranties and covenants of the Winning Bidder(s) set forth in Section 1 of the Bidder Letter(s), it is not necessary in connection with the offer, sale and delivery of the Securities, by the Selling Shareholder through the Placement Agents to the Winning Bidder(s) in accordance with the Placement Agency Agreement and the Bidder Letter(s) to register the Securities under the 1933 Act.



Such opinion shall not state that it is to be governed or qualified by, or that it is otherwise subject to, any treatise, written policy or other document relating to legal opinions, including, without limitation, the Legal Opinion Accord of the ABA Section of Business Law (1991).

FORM OF OFFICERS' CERTIFICATE TO BE DELIVERED PURSUANT TO SECTION 6(B)

[\*], 2013

The undersigned, Douglas M. Kratz, Chief Executive Officer of National Bancshares, Inc. (the "Company"), and Randal D. Miller, the Chief Financial Officer of the Company, each hereby certifies, pursuant to Section 6(b) of the Placement Agency Agreement, dated February 6, 2013, among (i) the Company, (ii) the Bank, (iii) the United States Department of the Treasury and (iv) Stifel, Nicolaus & Company, Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Placement Agency Agreement") that:

(i) There has been no Material Adverse Change since both the date of the Placement Agency Agreement and since the date of the latest audited balance sheet included in the last financial statements of the Company filed with the applicable regulator.

(ii) The representations and warranties of the Company in the Placement Agency Agreement are true and correct with the same force and effect as though expressly made at and as of the Closing Time.

(iii) The Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied pursuant to the Placement Agency Agreement at or prior to the Closing Time.

Capitalized terms used herein shall have the same meanings ascribed to them in the Placement Agency Agreement.

IN WITNESS WHEREOF, we have hereunto signed our names as of the date first written above.

**NATIONAL BANCSHARES, INC.**

By: \_\_\_\_\_  
Name: Douglas M. Kratz  
Title: Chief Executive Officer

By: \_\_\_\_\_  
Name: Randal D. Miller  
Title: Chief Financial Officer