

NATIONAL BANKSHARES INC  
Form 10-Q  
August 11, 2008  
**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-15204

**NATIONAL BANKSHARES, INC.**

(Exact name of registrant as specified in its charter)

Virginia  
(State or other jurisdiction of incorporation or organization)

54-1375874  
(I.R.S. Employer Identification No.)

101 Hubbard Street  
Blacksburg, VA  
(Address of principal executive offices)

24060  
(Zip Code)

(540) 951-6300

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at July 31, 2008</u>
Common Stock, \$1.25 Par Value	6,926,974

(This report contains 31 pages)

NATIONAL BANKSHARES, INC. AND SUBSIDIARIES

Form 10-Q

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**Part I****Financial Information****Item 1. Financial Statements**

National Bankshares, Inc. and Subsidiaries

Consolidated Balance Sheets

(\$ in thousands, except share data)	(Unaudited) June 30, 2008	December 31, 2007
<b>Assets</b>		
Cash and due from banks	\$ 20,404	\$ 16,324
Interest-bearing deposits	2,645	29,687
Securities available for sale, at fair value	159,845	158,594
Securities held to maturity (fair value approximates \$128,732 at June 30, 2008 and \$115,463 at December 31, 2007)	129,470	114,749
Mortgage loans held for sale	517	220
Loans:		
Real estate construction loans	53,197	46,697
Real estate mortgage loans	149,523	145,542
Commercial and industrial loans	226,163	216,830
Loans to individuals	106,954	115,704
Total loans	535,837	524,773
Less unearned income and deferred fees	(1,105)	(1,119)
Loans, net of unearned income and deferred fees	534,732	523,654
Less: allowance for loan losses	(5,267)	(5,219)
Loans, net	529,465	518,435
Bank premises and equipment, net	11,664	12,016
Accrued interest receivable	5,970	5,711
Other real estate owned, net	234	263
Intangible assets and goodwill, net	14,276	14,838
Other assets	20,422	16,810
<b>Total assets</b>	<b>\$ 894,912</b>	<b>\$ 887,647</b>
<b>Liabilities and Stockholders' Equity</b>		
Noninterest-bearing demand deposits	\$ 123,969	\$ 113,361
Interest-bearing demand deposits	254,686	237,772
Savings deposits	47,173	44,349
Time deposits	355,285	380,857
Total deposits	781,113	776,339
Other borrowed funds	59	64
Accrued interest payable	616	792
Other liabilities	5,770	5,652
<b>Total liabilities</b>	<b>787,558</b>	<b>782,847</b>