

FARMERS NATIONAL BANC CORP /OH/  
Form DEF 14A  
March 19, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

# **FARMERS NATIONAL BANC CORP.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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**20 SOUTH BROAD STREET**

**CANFIELD, OHIO 44406**

March 19, 2014

To Our Shareholders:

You are cordially invited to attend the 2014 Annual Meeting of Shareholders of Farmers National Banc Corp. ( Farmers or the Company ) to be held April 24, 2014, at 3:30 p.m., Eastern Time, at the Joyce E. Brooks Center at the Mahoning County Career and Technical Center (MCCTC), 7300 North Palmyra Road, Canfield, Ohio 44406.

At the Annual Meeting, you will be asked to: (i) elect three Class I directors whose terms will expire at the Annual Meeting in 2017; (ii) consider an advisory vote on executive compensation; and (iii) ratify the Audit Committee s appointment of Crowe Horwath LLP as Farmers independent registered public accounting firm for the fiscal year ending December 31, 2014.

Your vote on these matters is important, regardless of the number of shares you own, and all shareholders are cordially invited to attend the Annual Meeting in person. However, whether or not you plan to attend the Annual Meeting, it is important that your shares be represented. In order to ensure that your shares are represented, I urge you to execute and return the enclosed proxy, or that you submit your proxy by telephone or Internet promptly.

Sincerely,

KEVIN J. HELMICK

*President and Chief Executive Officer*

## FARMERS NATIONAL BANC CORP.

20 SOUTH BROAD STREET

CANFIELD, OHIO 44406

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held Thursday, April 24, 2014

The Annual Meeting of Shareholders of Farmers National Banc Corp. ( Farmers or the Company ) will be held at the Joyce E. Brooks Center at the Mahoning County Career and Technical Center (MCCTC), 7300 North Palmyra Road, Canfield, Ohio 44406, Thursday, April 24, 2014, at 3:30 p.m., Eastern Time, for the following purposes:

1. the election of three Class I directors;
2. to approve, on an advisory basis, the compensation of the Company s named executive officers;
3. to ratify the appointment of Crowe Horwath LLP as Farmers independent registered public accounting firm for the fiscal year ending December 31, 2014; and
4. to transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on March 5, 2014 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. Your Board of Directors recommends that you vote **FOR** the election of each of the director nominees and **FOR** each of the other proposals.

By Order of the Board of Directors,

Carl D. Culp

Executive Vice President, Treasurer and Secretary

Canfield, Ohio

March 19, 2014

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## FARMERS NATIONAL BANC CORP.

### *PROXY STATEMENT*

March 19, 2014

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Farmers National Banc Corp., an Ohio corporation ( Farmers or the Company ), of the accompanying proxy to be voted at the 2014 Annual Meeting of Shareholders (the Annual Meeting ) to be held Thursday, April 24, 2014, at 3:30 p.m., Eastern Time, and at any adjournment or postponement thereof. The mailing address of the principal executive offices of Farmers is 20 South Broad Street, Canfield, Ohio 44406; telephone number (330) 533-3341. This proxy statement, together with the related proxy and Farmers 2013 Annual Report to Shareholders (the Annual Report ), are being mailed to the shareholders of the Company on or about March 19, 2014.

### **QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING**

#### **When and Where will the Annual Meeting be Held?**

The Annual Meeting will be held Thursday, April 24, 2014, at 3:30 p.m., Eastern Time, at the Joyce E. Brooks Center at the Mahoning County Career and Technical Center (MCCTC), 7300 North Palmyra Road, Canfield, Ohio 44406. To obtain directions to attend the Annual Meeting, please contact Shareholder Relations at (330) 533-5127.

#### **Why did I Receive these Proxy Materials?**

You have received these proxy materials because the Board of Directors is soliciting a proxy to vote your shares at the Annual Meeting. This proxy statement contains information that Farmers is required to provide to you under the rules of the Securities and Exchange Commission (the Commission ) and is intended to assist you in voting your shares.

#### **Who may Vote at the Annual Meeting?**

The Board of Directors has set March 5, 2014 as the record date for the Annual Meeting. This means that only shareholders of record at the close of business on that date are entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) thereof. At the close of business on March 5, 2014, 18,780,980 Common Shares, without par value ( Common Shares ) were issued and outstanding. Each common share entitles the holder to one vote on each item to be voted upon at the Annual Meeting and there is no cumulative voting.

#### **What is the Difference between Holding Shares as a Shareholder of Record and as a Beneficial Owner ?**

If your shares are registered directly in your name, you are considered the shareholder of record of those shares. Farmers has sent these proxy materials directly to all shareholders of record. Alternatively, if your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, which is sometimes called street name, then you are the beneficial owner of those shares, and these proxy materials were forwarded to you by that organization. The organization holding your shares is the shareholder of record for purposes of voting the shares at the Annual Meeting. As the beneficial owner, you have the right to direct that organization how to vote the Common Shares held in your account by following the voting instructions the organization provides to you.

### How do I Vote?

Shareholders of record may vote on matters that are properly presented at the Annual Meeting in four ways:

By completing the accompanying proxy and returning it in the envelope provided;

By submitting your vote telephonically;

By submitting your vote electronically via the Internet; or

By attending the Annual Meeting and casting your vote in person.

For the Annual Meeting, Farmers is offering shareholders of record the opportunity to vote their Common Shares electronically through the Internet or by telephone. Instead of submitting the enclosed proxy by mail, shareholders of record may vote by telephone or via the Internet by following the procedures described on the enclosed proxy. In order to vote via telephone or the Internet, please have the enclosed proxy in hand, and call the number or go to the website listed on the proxy and follow the instructions. The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions, and to confirm that shareholders' instructions have been recorded properly. Shareholders voting through the Internet should understand that they may bear certain costs associated with Internet access, such as usage charges from their Internet service providers. The deadline for voting through the Internet or by telephone is 11:59 p.m., Eastern Time, on April 23, 2014.

If you hold your Common Shares in street name, you should follow the voting instructions provided to you by the organization that holds your Common Shares. If you plan to attend the Annual Meeting and vote in person, ballots will be available. If your Common Shares are held in the name of your broker, bank or other shareholder of record, you must bring a legal proxy from the shareholder of record indicating that you were the beneficial owner of the shares on March 5, 2014 in order to vote in person.

### How will My Shares be Voted?

If you vote by mail, through the Internet, by telephone or in person, your Common Shares will be voted as you direct. If you submit a valid proxy prior to the Annual Meeting, but do not complete the voting instructions, your Common Shares will be voted:

**FOR** the election of each of the three Class I director nominees listed under **Proposal One Election of Directors;**

**FOR** the approval of the compensation of the Company's named executive officers under **Proposal Two Advisory Vote on Executive Compensation;** and

**FOR** the ratification of the appointment of Crowe Horwath LLP as Farmers' independent registered public accounting firm for the fiscal year ending December 31, 2014 under **Proposal Three Ratification of Selection of Independent Registered Public Accounting Firm.**

### Can Other Matters be Decided at the Annual Meeting?

On the date that this proxy statement was printed, Farmers was not aware of any matters to be raised at the Annual Meeting other than those included in this proxy statement. If you submit a valid proxy and other matters are properly presented for consideration at the Annual Meeting, then the individuals appointed as proxies will have the discretion to vote on those matters for you.

### May I Revoke or Change My Vote?

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Yes, proxies may be revoked at any time before a vote is taken or the authority granted is otherwise exercised. Revocation may be accomplished by:

the execution of a later dated proxy with regard to the same Common Shares;



the execution of a later casted Internet or telephone vote with regard to the same Common Shares;

giving notice in writing to the Secretary at 20 South Broad Street, Canfield, Ohio 44406; or

notifying the Secretary in person at the Annual Meeting.

If your Common Shares are held in street name and you wish to revoke your proxy, you should follow the instructions provided to you by the record holder of your shares. If you wish to revoke your proxy in person at the Annual Meeting, you must bring a legal proxy from the shareholder of record indicating that you were the beneficial owner of the Common Shares on March 5, 2014. Attending the Annual Meeting will not, by itself, revoke your proxy.

#### **Who Pays the Cost of Proxy Solicitation?**

The accompanying proxy is solicited by and on behalf of the Board of Directors, whose notice of meeting is attached to this proxy statement, and the entire cost of such solicitation will be borne by Farmers. In addition to the use of the mail, proxies may be solicited by personal interview, telephone, facsimile and electronic mail by directors, officers and employees of Farmers. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of Common Shares held of record by such persons, and Farmers will reimburse them for reasonable out-of-pocket expenses incurred by them in connection therewith.

#### **How Many Common Shares Must be Represented at the Annual Meeting in Order to Constitute a Quorum?**

The shareholders present in person or by proxy at the Annual Meeting representing not less than one-third of Farmers' outstanding Common Shares shall constitute a quorum for the Annual Meeting. Consequently, at least 6,260,327 Common Shares must be represented at the Annual Meeting in person or by proxy in order to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. Street name holders generally cannot vote their Common Shares directly and must instead instruct the broker, bank or other shareholder of record how to vote their Common Shares using the voting instructions provided by it. If a street name holder does not provide timely instructions, the broker or other nominee may have the authority to vote on some proposals but not others. If a broker or other nominee votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner, this results in a broker non-vote. Broker non-votes on a matter are counted as present for purposes of establishing a quorum for the meeting, but are not considered entitled to vote on that particular matter.

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**What are the Voting Requirements to Elect the Directors and to Approve the Other Proposals Discussed in this Proxy Statement?**

The vote required to approve each of the proposals that are scheduled to be presented at the Annual Meeting is as follows:

<b>Proposal</b>	<b>Vote Required</b>
<b>Proposal One Election of Directors</b>	Election of the three Class I director nominees requires the affirmative vote of the holders of a plurality of the Common Shares present, represented and entitled to vote at the Annual Meeting. Broker non-votes and proxies marked <b>WITHHOLD AUTHORITY</b> will not be counted toward the election of directors or toward the election of individual nominees and, thus, will have no effect other than that they will be counted for establishing a quorum.
<b>Proposal Two Advisory Vote on Executive Compensation</b>	The proposal to approve the resolution regarding the compensation of Farmers named executive officers requires the affirmative vote of the holders of a majority of the Common Shares present, represented and entitled to vote at the Annual Meeting. Shareholders may vote <b>FOR, AGAINST</b> or <b>ABSTAIN</b> from voting on Proposal Two. Broker non-votes will not be counted for the purpose of determining whether Proposal Two has been approved. Abstentions will be counted as present and entitled to vote for purposes of Proposal Two and, thus, will have the same effect as a vote against Proposal Two.
<b>Proposal Three Ratification of Selection of Independent Registered Public Accounting Firm</b>	The proposal to ratify the appointment of Farmers independent registered public accounting firm requires the affirmative vote of the holders of a majority of the Common Shares present, represented and entitled to vote at the Annual Meeting. Shareholders may vote <b>FOR, AGAINST</b> or <b>ABSTAIN</b> from voting on Proposal Three. Broker non-votes will not be counted for the purpose of determining whether Proposal Three has been approved. Abstentions will be counted as present and entitled to vote for purposes of Proposal Three and, thus, will have the same effect as a vote against Proposal Three.

Under Ohio law, Farmers Articles of Incorporation, and Farmers Amended Code of Regulations (the Regulations), the nominees for election as directors who receive the greatest number of votes cast will be elected directors. Each shareholder will be entitled to cast one vote for each common share owned, and shareholders may not cumulate votes in the election of directors. Common shares as to which the authority to vote is withheld are not counted toward the election of directors; however, in 2010, the Board of Directors

adopted a Majority Vote Withheld Policy in the event that Withhold Authority has been indicated by a majority of the votes cast with respect to any director in an uncontested election. A summary of this policy is set forth under the caption **CORPORATE GOVERNANCE Policies of the Board of Directors** beginning on page 8 of this proxy statement.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
SHAREHOLDER MEETING TO BE HELD ON APRIL 24, 2014**

This proxy statement, Form 10-K for the year ended December 31, 2013 and the 2013 Annual Report to Shareholders are available at [www.farmersbankgroup.com](http://www.farmersbankgroup.com).

**CORPORATE GOVERNANCE**

**The Board of Directors Independence**

The Board of Directors is currently comprised of nine members, one of whom is a nominee for re-election at the Annual Meeting and two of whom are nominees for election at the Annual Meeting. Additional information regarding each director nominee is set forth in **Proposal One Election of Directors** beginning on page 13 of this proxy statement. In 2013, the Board of Directors affirmatively determined that the directors listed below are independent directors under the rules of The NASDAQ Stock Market LLC (the NASDAQ):

Gregory C. Bestic  
Anne Frederick Crawford  
David Z. Paull  
Gregg Strollo

Lance J. Cirolì  
Ralph D. Macali  
Earl R. Scott  
Ronald V. Wertz

The only director or director nominee of Farmers who has not been deemed independent by the Board of Directors is Kevin J. Helmick, the Company's President and Chief Executive Officer.

During 2013, certain current directors and executive officers of Farmers, and their associates, were customers of, and had banking transactions with, various subsidiaries of the Company, including Farmers' subsidiary bank, The Farmers National Bank of Canfield (Farmers Bank). All relationships between any director or executive officer and Farmers or any of its subsidiaries are conducted in the ordinary course of business. Farmers encourages its directors and executive officers to maintain these relationships and expects that these transactions will continue in the future. All loans and loan commitments included in such transactions, including equipment leasing transactions, were made and will be made: (i) in the ordinary course of business; (ii) on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to Farmers; and (iii) without more than the normal risk of collectability or present other unfavorable features. After reviewing the details of these relationships, the Board of Directors has determined that such relationships do not interfere with the exercise of a director's independent judgment in carrying out the responsibilities of any director.

In assessing the independence of directors, the Board of Directors considers the business relationships between Farmers and its directors or their affiliated businesses, other than ordinary banking relationships. Where business relationships other than ordinary banking relationships exist, the Board of Directors evaluates the scope and nature of each business relationship. The business relationships between Farmers and its directors or the directors' affiliated companies that were so considered by the Board of Directors was the position of new nominee Terry A. Moore as a partner, Chief Executive Officer and President of the law firm of Krugliak Wilkins Griffiths & Dougherty (KWGD), which performed certain legal services for Farmers and Farmers Bank during 2013. In reviewing the independence of Mr. Moore as a director nominee, the Board of Directors considered the relationship between Farmers and KWGD and determined such firm received fees for the performance of legal

services in 2013 far less than the objective regulatory independence thresholds, and therefore the Board was of the opinion that the relationship would not interfere with Mr. Moore's exercise of independent judgment in carrying out his duties as a director and, therefore, considered him to be independent.

### **Certain Relationships and Related Transactions**

Farmers' Audit Committee is responsible for reviewing and approving all related party transactions that are material to the Company's consolidated financial statements or otherwise require disclosure under Item 404 of Regulation S-K. Extensions of credit by Farmers or any of its subsidiaries to insiders of the Company or its subsidiaries are also regulated by Regulation O adopted under the Federal Reserve Act and the Federal Deposit Insurance Corporation Improvement Act. It is Farmers' policy that any transactions with persons whom Regulation O defines as insiders (*i.e.*, executive officers, directors, principal shareholders and their related interests) are engaged in the same manner as transactions conducted with all members of the public. Transactions are reviewed by the Audit Committee either on a case-by-case basis (such as loans made by Farmers Bank to an insider) or, in the case of an ongoing relationship are approved at the outset of the relationship and periodically reviewed. All loans to insiders of Farmers: (i) are made in the ordinary course of business; (ii) are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the Company; and (iii) do not involve more than the normal risk of collectability or present other unfavorable features.

### **Attendance at Meetings**

The Board of Directors held 13 meetings during 2013. All incumbent directors attended at least 75% of the total of all meetings of the Board of Directors and any committees thereof on which such director served during the year. In accordance with Farmers' Corporate Governance Guidelines (the Corporate Governance Guidelines), directors are expected to attend all meetings of the Board of Directors, although it is understood that, on occasion, a director may not be able to attend a meeting. Directors are encouraged to attend the Annual Meeting. All of the then current members of the Board of Directors attended the 2013 Annual Meeting held on April 25, 2013.

### **Board Leadership Structure and Role in Risk Oversight**

The Board of Directors has appointed Lance J. Cirola as its non-executive Chairman. As Chairman, Mr. Cirola presides over meetings of the Board of Directors, consults and advises the Board and its committees on the business and affairs of Farmers, and performs other responsibilities as may be assigned by the Board from time to time. Mr. Helmick, as President and Chief Executive Officer, is responsible both for overseeing Farmers' day-to-day operations and for establishing and leading the execution of the Company's long-term strategic objectives, subject to the overall direction and supervision of the Board of Directors and its committees. Farmers does not have a formal policy with respect to separation of the offices of Chairman of the Board and Chief Executive Officer, as the Board of Directors believes that flexibility in appointing the Chairman of the Board allows the Board of Directors to make a determination as to such position from time to time and in a manner that it believes is in the best interest of Farmers and its shareholders. The Board of Directors believes that the current structure is best for Farmers because it allows Mr. Helmick to focus on managing the Company's day-to-day business while allowing Mr. Cirola to lead the Board of Directors in its primary role of review and oversight of management. The Board of Directors also believes that its leadership structure has created an environment of open, efficient communication between the Board and management, enabling the Board to maintain an active, informed role in risk management by being able to monitor and manage those matters that may present significant risks to Farmers.

The role of the Board of Director in Farmers' risk management process includes reviewing regular reports from senior management on areas of material risk to the Company, including operational, financial, legal, regulatory and strategic risks. The Board of Directors reviews these reports to enable it to understand and assess

Farmers' risk assessment, risk management and risk mitigation strategies. While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of both management and the Board also have responsibility for risk management. In accordance with the Risk Management Committee Charter, the Risk Management Committee assists the Board of Directors in its oversight of management's implementation and enforcement of Farmers' policies, procedures and practices relating to: (i) the management of enterprise-wide risk; (ii) compliance with applicable laws and regulations and the maintenance of appropriate regulatory and economic capital and reserve levels; and (iii) the Company's long-term strategic plans and initiatives. In addition, the Audit Committee assists the Board of Directors in overseeing and monitoring management's conduct of Farmers' financial reporting process and system of internal accounting and financial controls. Finally, the Compensation Committee oversees the management of risks relating to executive and non-executive compensation plans and arrangements. While each committee oversees certain risks and the management of such risks, the entire Board is regularly informed of such risks through committee reports.

#### **Committees of the Board of Directors**

The Board of Directors conducts its business through meetings of the Board and the following committees: (i) Audit Committee; (ii) Compensation Committee; (iii) Corporate Governance and Nominating Committee; and (iv) Risk Management Committee. Each committee meets on a regular basis and reports their deliberations and actions to the full Board of Directors. Each of the committees has the authority to engage outside experts, advisors and counsel to the extent it considers appropriate to assist the committee in its work.

##### *Audit Committee*

The Audit Committee assists the Board of Directors in fulfilling its responsibility to oversee the accounting and financial reporting process of the Company. The Audit Committee also reviews, evaluates and approves all related party transactions. The Audit Committee members currently are Earl R. Scott (Chairman), Gregory C. Bestic, Ralph D. Macali and David Z. Paull. The Board of Directors has determined that Earl R. Scott qualifies as an audit committee financial expert. Specifically, the Board of Directors has determined that Earl R. Scott has all of the attributes listed in the definition of an audit committee financial expert set forth in the Instruction to Item 407(d)(5)(i) of Regulation S-K and in the NASDAQ listing requirements. Mr. Scott has acquired these attributes through education and experience as a certified public accountant. All of the Audit Committee members are considered independent for purposes of NASDAQ listing requirements. The Audit Committee operates under a written charter, which is reviewed annually by the Audit Committee and the Board of Directors to reflect current Commission and NASDAQ rules, requirements and best corporate practices. A copy of the current Audit Committee Charter is available on Farmers' website at [www.farmersbankgroup.com](http://www.farmersbankgroup.com). The Audit Committee held 4 meetings during 2013.

##### *Compensation Committee*

The Compensation Committee establishes policies and levels of reasonable compensation for the executive officers of the Company and generally administers the Company's incentive compensation programs. The members of the Compensation Committee are David Z. Paull (Chair), Lance J. Ciroti, Anne Frederick Crawford and Gregg Strollo. All members of the Compensation Committee are considered independent for purposes of NASDAQ listing requirements. The Compensation Committee operates under a written charter, which is reviewed annually by the Compensation Committee and the Board of Directors to reflect current Commission and NASDAQ rules, requirements and best corporate practices. A copy of the current Compensation Committee Charter is available on Farmers' website at [www.farmersbankgroup.com](http://www.farmersbankgroup.com). The Compensation Committee held 5 meetings during 2013.

Pursuant to the terms of its charter, the Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Compensation Committee. In addition, the Compensation Committee may invite such members of management to its meetings, as it may deem desirable or

appropriate, consistent with the maintenance of the confidentiality of compensation discussions. In addition, the Compensation Committee may delegate to the Chief Executive Officer, or another executive designee, the authority to approve salary and other compensation for employees below the executive officer level in accordance with overall pools, policy guidelines and limits approved by the Committee. Pursuant to its charter, the Compensation Committee has the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. Additional information regarding the Compensation Committee's role is set forth in the **COMPENSATION DISCUSSION AND ANALYSIS** section of this proxy statement, beginning on page 19.

#### *Corporate Governance and Nominating Committee*

The Corporate Governance and Nominating Committee's purpose is to: (i) identify and recommend individuals to the Board of Directors for nomination as members of the Board and its committees; (ii) promote effective corporate governance, including developing and recommending to the Board of Directors a set of corporate governance principles applicable to the Company; and (iii) lead the Board of Directors in its annual review of the Board's performance and the performance of each of its committees. The Corporate Governance and Nominating Committee consists of Ronald V. Wertz (Chair), Gregory C. Bestic, Anne Frederick Crawford and Gregg Strollo. All members of the Corporate Governance and Nominating Committee are independent for purposes of NASDAQ listing requirements. The Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee and the Corporate Governance Guidelines, both of which are reviewed annually by the Corporate Governance and Nominating Committee and the Board of Directors to reflect current Commission and NASDAQ rules, requirements and best corporate practices. Copies of the Corporate Governance and Nominating Committee Charter and the Corporate Governance Guidelines are available on Farmers' website at [www.farmersbankgroup.com](http://www.farmersbankgroup.com). The Corporate Governance and Nominating Committee held 4 meetings during 2013.

#### *Risk Management Committee*

The Risk Management Committee oversees management's implementation and enforcement of the Company's policies, procedures and practices relating to the management of enterprise-wide risk. The members of the Risk Management Committee are Lance J. Cirola (Chair), Ralph D. Macali, Earl R. Scott, and Ronald V. Wertz. The Risk Management Committee operates under a written charter, which is reviewed annually by the Committee and the Board of Directors. A copy of the current Risk Management Committee Charter is available on Farmers' website at [www.farmersbankgroup.com](http://www.farmersbankgroup.com). The Risk Management Committee meets on a regular basis with Mr. Gulas and other executive officers of Farmers. The Risk Management Committee held 4 meetings during 2013. Additional information regarding the Risk Management Committee's role is set forth in the **COMPENSATION DISCUSSION AND ANALYSIS** section of this proxy statement, beginning on page 19.

#### **Policies of the Board of Directors**

##### *Majority Withheld Vote*

The Board of Directors recognizes that, under Ohio law, director nominees who receive the greatest number of shareholder votes are automatically elected to the Board of Directors, regardless of whether the votes in favor of such nominees constitute a majority of the voting power of Farmers. Nevertheless, it is the policy of the Board of Directors that, in an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withheld Vote), should promptly tender his or her resignation to the Chairman of the Board of Directors. Thereafter, the Corporate Governance and Nominating Committee will consider the resignation offer and recommend to the Board of Directors whether to accept it or reject it. In considering whether to recommend to the Board of Directors to accept or reject the tendered resignation, the Corporate Governance and Nominating Committee shall consider all information and

factors deemed relevant, including, without limitation: (i) the reasons (if any) given by shareholders as to why they withheld their votes; and (ii) the qualifications and performance of the tendering director(s) and his or her contributions to the Board of Directors and Farmers. The Board of Directors will act on any tendered resignation within 90 days following certification of the shareholder vote. Following the Board of Directors determination, Farmers will promptly disclose the Board's decision whether to accept or reject the director's resignation offer (and, if applicable, the reasons for rejecting the resignation offer) in a press release and in a Current Report on Form 8-K. Any director who tenders his or her resignation pursuant to this provision shall not participate in the Corporate Governance and Nominating Committee's consideration or action by the Board of Directors regarding whether to accept the resignation offer. If a majority of the Board of Directors receives a Majority Withheld Vote at the same election, then the independent directors who did not receive a Majority Withheld Vote will consider the resignation offers and whether to accept or reject them.

### **Director Nominations**

The Corporate Governance and Nominating Committee will consider candidates for director, including those recommended by a shareholder who submits the person's name and qualifications in writing. The Corporate Governance and Nominating Committee has no specific minimum qualifications for a recommended candidate, and does not consider shareholder recommended candidates differently from other candidates. The Corporate Governance and Nominating Committee considers the fit of an individual's skills with those of other directors and potential directors in building a Board that is effective and responsive to the needs of the Company and its shareholders. The following attributes are considered important to such consideration, but all may not necessarily be possessed by any one director candidate:

personal qualities and characteristics, accomplishments and reputation in the business community, including high personal and professional values, ethics and integrity;

current knowledge and contacts in the communities in which Farmers does business;

ability and willingness to commit adequate time to diligently attend to Board of Director and committee matters;

ability to think and act independently yet constructively in a mutually respectful environment;

diversity of viewpoints, background, experience and other demographics; and

the ability of the nominee to satisfy the independence requirements of NASDAQ.

While the Board of Directors does not have a formal diversity policy, diversity of viewpoints, background, experience and other demographics is one criterion on which the Corporate Governance and Nominating Committee bases its evaluation of potential candidates for director positions. When identifying first-time candidates or nominees for director, or in evaluating individuals recommended by shareholders, the Corporate Governance and Nominating Committee will consider diversity, the current composition of the Board in light of the diverse communities and geographies we serve, and the interplay of the candidate's or nominee's experience, education, skills, background, gender, race, ethnicity and other qualities and attributes with those of the other Board members. The inclusion of diversity in the listed criteria reflects the Board of Directors' belief that diversity is an important component of an effective Board and the Corporate Governance and Nominating Committee evaluates each potential director candidate on their specific skills, expertise and background, as well as traditional diversity concepts.

In addition to recommendations presented by shareholders, the Board of Directors maintains a current list of potential director candidates that fit the characteristics and qualifications of the Corporate Governance and Nominating Committee, which it uses from time to time to fill director vacancies or for director nominations. The Corporate Governance and Nominating Committee makes its recommendation regarding nominations to the Board of Directors, and nominees are selected by the Board of Directors.

Under the Board Development Culture and Nomination Policy, a director who reaches age 72 by the date of the scheduled election will not be re-nominated for election. Additionally, directors who are employees of Farmers must tender their resignation from the Board of Directors upon retirement, resignation or removal from employment with the Company or upon a demotion in their job responsibilities.

Under the Regulations, a shareholder entitled to vote for the election of directors who intends to nominate a director for election must deliver written notice to the Secretary of Farmers no later than 90 days and no earlier than 120 days in advance of such meeting; provided, however, that if less than 90 days notice is given to shareholders, written notice to the Secretary of the Company must be delivered or mailed not later than the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. The Corporate Governance Guidelines also formalize certain aspects of Farmers' shareholder nomination process. Pursuant to the Regulations and/or the Corporate Governance Guidelines, each shareholder notice must include the following information regarding a director candidate:

1. the name, age, business address and residence address of the candidate;
2. the information required of director nominees under Item 401(a), (d), (e), and (f) of Regulation S-K (relating to the nature and existence of certain business, family, and/or legal relationships between the candidate and Farmers, as well as the candidate's prior business and directorship experience);
3. the number and class of all shares of each class of stock of the Company owned of record and beneficially owned by the candidate, as reported to the nominating shareholder by the candidate;
4. the information required of nominees under Item 404(a) of Regulation S-K (relating to the nature and existence of current or potential related party transactions between the candidate and Farmers);
5. a description of why the candidate meets the director criteria set forth in the Corporate Governance Guidelines;
6. a qualitative description of the specific talents and skills that the candidate would offer in service to the Company;
7. any written or oral agreement or understanding with the nominating shareholder or any other person that relates in any way to Farmers or how the candidate would vote or serve as a director;
8. a completed copy of the Company's Questionnaire for New Director Candidates;
9. all financial and business relationships of the candidate, or of any organization of which the candidate is an executive officer or principal shareholder or otherwise controls, with Farmers, the nominating shareholder or, to the candidate's knowledge, any other shareholder of the Company that is acting in concert with the nominating shareholder; and
10. the consent of the candidate to serve as a director of Farmers if so elected.

In addition, the shareholder notice must also include the following information regarding the shareholder making the nomination:

- a. the name and address of the shareholder making the nomination;



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- b. the number and class of all shares of each class of stock of Farmers owned of record and beneficially owned by the shareholder;
- c. a representation that the shareholder is a holder of record of Common Shares entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person specified in the notice;
- d. a description of any arrangements between the shareholder and the candidate pursuant to which the nominations are to be made;
- e. a description of any relationships, including business relationships, between the shareholder and the candidate;

- f. whether the shareholder is acting in concert with any person with respect to the Common Shares;
- g. whether the shareholder owns, holds or has the power to vote, individually or in concert with any other person, 5% or more of any class of voting stock of any other organization that competes with the Company;
- h. the information required by Item 401(f) of Regulation S-K (relating to the nature and existence of certain legal proceedings involving Farmers and the nominating shareholder) and whether the shareholder has been or is currently subject to any enforcement action or penalty or, to the shareholder's knowledge, is currently under any investigation that could lead to such an enforcement action or penalty or criminal action;
- i. whether the shareholder is acting on behalf of, or at the request of, any other shareholder; and
- j. if the shareholder is other than an individual (i) the names of the shareholder's five most senior executive officers (or persons performing similar roles), (ii) the names and addresses of each person that has a 10% or more voting, ownership or economic interest in the shareholder and the respective amounts of such interests, (iii) the names and addresses of each person that would be deemed to control the shareholder and (iv) the name and address of any advisor to the shareholder that has the principal responsibility for its investment or voting decisions.

In the case of any investment fund or similar organization that is a nominating shareholder, these shareholder disclosure obligations shall also apply to the principal advisor to the fund. Also, if the shareholder is other than an individual, these disclosure requirements apply to the shareholder's principal shareholders, executive officers and other controlling parties.

During the course of any candidate's consideration, the Corporate Governance and Nominating Committee may request additional information through written director questionnaires and further communications to assess whether the candidate satisfies, in the view of the committee, requirements of the Company's Corporate Governance Guidelines, Director Code of Ethics, and other policies applicable to members of the Board and its committees.

If a nominating shareholder or director candidate believes that information supplied in response to any of the above inquiries is confidential, the shareholder or nominee may request confidential treatment for such information. In such event, the information shall be maintained on a confidential basis unless the Corporate Governance and Nominating Committee is advised by counsel that disclosure is appropriate in connection with the solicitation of proxies relating to the director candidate.

In the event that it is subsequently determined that any of the information provided by the candidate or nominating shareholder is materially inaccurate, a director candidate who provided the materially inaccurate information or whose nominating shareholder provided the materially inaccurate information shall be required to resign from the Board of Directors, and, in the event of a refusal to resign, such a determination shall constitute grounds for removal from the Board, unless it is determined by the Corporate Governance and Nominating Committee that the inaccuracy was inadvertent.

#### **Shareholder Proposals for 2015 Annual Meeting**

Proposals by shareholders intended to be presented at the 2015 Annual Meeting of Shareholders must be received by the Secretary of Farmers no later than November 19, 2014, to be eligible for inclusion in Farmers' proxy, notice of meeting, and proxy statement relating to its 2015 Annual Meeting. Farmers will not be required to include in its proxy, notice of meeting, or proxy statement, a shareholder proposal that is received after that date or that otherwise fails to meet the requirements for shareholder proposals established by the applicable SEC rules.

If a shareholder intends to submit a proposal at Farmers' 2015 Annual Meeting of Shareholders that is not eligible for inclusion in the proxy materials relating to the meeting, and the shareholder fails to give the Company notice in accordance with the requirements set forth in the Securities Exchange Act of 1934, as amended (the Exchange Act), by February 2, 2015, then the proxy holders will be allowed to use their discretionary authority with respect to such proposal if the proposal is properly raised at the Company's Annual Meeting in 2015. The submission of such a notice does not ensure that a proposal can be raised at Farmers' Annual Meeting.

In each case, written notice must be given to Farmer, addressed to its Corporate Secretary at the following address: 20 South Broad Street, Canfield, Ohio 44406.

#### **Shareholder Communications with Directors**

All written communications addressed to an individual director at Farmers' address or to one of the offices of a subsidiary of the Company, except those clearly of a marketing nature, will be forwarded directly to the director. All written communications addressed to the Board of Directors at Farmers' address or to one of the offices of a subsidiary of the Company will be presented to the full Board of Directors at a meeting of the Board of Directors.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires Farmers' directors, officers and persons who own beneficially more than 10% of its Common Shares (Section 16 Filers) to file reports of ownership and transactions in the Common Shares with the Commission and to furnish the Company with copies of all such forms filed. Farmers understands from the information provided to it by Section 16 Filers that the following transactions were not timely reported during 2013: Mark L. Graham Form 4 report to reflect an open market purchase of 500 shares on May 8, 2013.

**PROPOSAL ONE ELECTION OF DIRECTORS**

In accordance with the provisions of Farmers' Regulations, the Board of Directors has currently fixed the number of directors at nine. The Board of Directors is currently divided into three classes, each with three year terms, and there are three directors currently serving in each class.

The Corporate Governance and Nominating Committee has recommended to the Board of Directors the re-nomination of each of the three Class I directors. Set forth below for each nominee for election and for each director whose term will continue after the Annual Meeting is a brief statement, including age, principal occupation and business experience during the past five years. In addition, the following information provides the Corporate Governance and Nominating Committee's evaluation regarding the nomination of each of the director nominees and the key attributes, skills, and qualifications presented by each director nominee and the continuing directors. The following information, as of March 19, 2014, with respect to the age, principal occupation or employment, other affiliations and business experience during the last five years of each director and director nominee, has been furnished to Farmers by each director nominee and director.

Proxies cannot be voted for a greater number of persons than the number of nominees named in this proxy statement. If any nominee should become unavailable to serve for any reason, it is intended that votes will be cast for a substitute nominee designated by the Corporate Governance and Nominating Committee and approved by the Board of Directors. The Corporate Governance and Nominating Committee has no reason to believe that any nominee named will be unable to serve if elected.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR  
EACH OF THE DIRECTOR NOMINEES.**

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**NOMINEES FOR ELECTION AS CLASS I DIRECTORS**

(Term Expiring in 2017)

Name	Age	Principal Occupation for Past Five Years and Other Information
Gregory C. Bestic	59	Mr. Bestic has served as a director of Farmers since April 2011 and is a member of the Audit and Corporate Governance and Nominating Committees. Mr. Bestic is a Principal in Schroedel, Scullin & Bestic, LLC, a certified public accounting and strategic advisory firm located in Canfield, Ohio. Mr. Bestic is a certified public accountant, a certified forensic accountant (Diplomate of the American Board of Forensic Accounting), a fellow of the American Collecte of Forensic Examiners, and is designated as a Chartered Global Management Accountant. Mr. Bestic has practiced with Schroedel, Scullin & Bestic, LLC and its predecessor firm since 1980. He serves on a number of community and civic boards in the Mahoning Valley, including Salem Community Hospital (dba Salem Regional Medical Center) and the Advisory Committee of the Accounting and Finance Department of Youngstown State University. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Bestic has developed through his educational background in business and accounting, as well as his business and leadership experiences in the Mahoning Valley, will allow him to provide accounting, local business and corporate governance expertise to the Board of Directors, and has nominated him for election.
Kevin J. Helmick	42	Mr. Helmick has served as the President and Chief Executive Officer of Farmers since October 2013. Prior to his appointment as President and Chief Executive Officer, Mr. Helmick served as the Executive Vice President and Secretary of the Company and Executive Vice President Retail and Wealth Management of Farmers Bank since January 2012. Prior to that, Mr. Helmick served as the Vice President of Wealth Management and Retail Services of Farmers Bank since 2008. Mr. Helmick is being nominated for the first time as a director of Farmers. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Helmick has developed through his education and experiences in the banking and financial services industries, as well as his significant past leadership positions with Farmers, allow him to provide continued business and leadership insight to the Board of Directors, and has nominated him for election.
Terry A. Moore	58	Mr. Moore is the Chief Executive Officer and President of Krugliak Wilkins Griffiths & Dougherty, a law firm located in Canton, Ohio, with which Mr. Moore has practiced as an attorney since 1990. As CEO and President, he is responsible, with other members of the firm s management committee, to direct and supervise the operations of the law firm. Mr. Moore serves on the Board of Directors of Mercy Medical Center, a non-profit hospital based in Canton, as Chairman of Board of the Mercy Medical Center Development Foundation, and as trustee for the Hoover Foundation, a non-profit foundation based in Canton. Mr. Moore is being nominated for the first time as a director of Farmers. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Moore has developed through his educational background in law, as well as his business and leadership experiences with his law firm and in Stark County, will allow him to provide leadership, local business and corporate governance expertise to the Board of Directors, and has nominated him for election.

**CLASS II DIRECTORS CONTINUING IN OFFICE****(Term Expiring in 2015)**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation for Past Five Years and Other Information</b>
Lance J. Cirolì	63	Mr. Cirolì has served as a director of Farmers since October 2010 and has served as Chairman of the Board of Directors since October 1, 2011. Mr. Cirolì is a member of the Compensation and Risk Management Committees. Since 2009, Mr. Cirolì has operated NBE Bank Consulting Services, a bank consulting services company, which he co-founded in 2009. Prior to founding NBE Bank Consulting Services, Mr. Cirolì was Assistant Deputy Comptroller, Office of the Comptroller of the Currency, United States Treasury Department, in Washington D.C., where he was responsible for the supervision and regulation of nationally chartered community banks in Northern and Eastern Ohio and the Lower Peninsula of Michigan. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Cirolì has developed through his extensive experience in the area of national bank supervision, as well as his knowledge and experience as a director of Farmers, allow him to provide continued regulatory and local business expertise to the Board of Directors.
Anne Frederick Crawford	50	Ms. Crawford has served as a director of Farmers since 2004 and is a member of the Compensation and Corporate Governance and Nominating Committees. Ms. Crawford is a self-employed/sole proprietor attorney-at-law located in Canfield, Ohio, concentrating her law practice in the areas of real estate, probate and estate planning. Previously, Ms. Crawford was a partner at the law firm of Brennan, Frederick, Vouros & Yarwood. Ms. Crawford is also actively involved with a number of significant non-profit organizations and community initiatives in the Mahoning Valley, including the American Cancer Society Relay for Life, the Mahoning Valley Epilepsy Foundation and the Mahoning County Bar Association Memorial Committee. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Ms. Crawford has developed through her education and extensive experiences in the legal field and in the Mahoning Valley business market, as well as her knowledge and experience as a director of Farmers, allow her to provide continued legal and local business expertise to the Board of Directors.
David Z. Paull	59	Mr. Paull has served as a director of Farmers since January 2011 and is a member of the Audit and Compensation Committees. Mr. Paull recently retired in February 2014 from serving as the Vice President, HR Operations and Labor Relations, for RTI International Metals, Inc., where he had been responsible for human resource activities for all domestic manufacturing locations in the United States. Mr. Paull has served as a member of the board of directors and executive committee of the Regional Chamber of Commerce and as a member of the board of directors of the Humility of Mary Center For Learning, where he chaired the Mission and Planning Committee. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Paull has developed through his extensive business experience in the Mahoning Valley business market, as well as his knowledge and experience in the field of human resources, allow him to provide continued local business and corporate governance expertise to the Board of Directors.

**CLASS III DIRECTORS CONTINUING IN OFFICE****(Term Expiring in 2016)**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation for Past Five Years and Other Information</b>
Ralph D. Macali	58	Mr. Macali has served as a director of Farmers since December 2001 and is a member of the Audit and Risk Management Committees. Mr. Macali is the Vice President of Palmer J. Macali, Inc., which owns and operates a retail grocery supermarket, a partner in P.M.R.P. Partnership, which owns commercial and residential real estate, and owner and executive vice president of HSL Inc., which owns various retail stores. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Macali has developed through his education and business leadership experiences in the Mahoning Valley business market, as well as his experience as a director of Farmers, allow him to provide continued regional business and leadership expertise to the Board of Directors.
Earl R. Scott	68	Mr. Scott has served as a director of Farmers since December 2003 and is a member of the Audit and Risk Management Committees. Mr. Scott is a certified public accountant and President of Reali, Giampetro & Scott, a local accounting firm with offices in the Mahoning Valley. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Scott has developed through his education and leadership experiences in the field of accounting, his knowledge and business experience in the Mahoning Valley, as well as his experience as a director of Farmers, allow him to provide continued financial and regional business expertise to the Board of Directors.
Gregg Strollo	58	Mr. Strollo has served as a director of Farmers since October 2011 and is a member of the Nominating and Corporate Governance and Risk Management Committees. Mr. Strollo currently serves as a partner, architect and President of Strollo Architects, a position he has held since 1996. Mr. Strollo serves on the Board of Directors locally for the Better Business Bureau and also for the Youngstown YMCA. In addition he holds the positions of Secretary and member of the Board of Directors for the American Institute of Architects in the State of Ohio. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Strollo has developed through his education and business and leadership experiences in the Mahoning Valley allow him to provide continued financial and regional business expertise to the Board of Directors.

**ADDITIONAL DIRECTOR****(Term Expiring at the Annual Meeting)**

Ronald V. Wertz

Among current members of the Board of Directors, Mr. Wertz is the longest-serving director, having served as a director of Farmers since 1989. During 2013 he was a member of the Corporate Governance and Nominating and Risk Management Committees. Mr. Wertz is currently retired but has remained an active member of the Mahoning Valley community. Formerly, Mr. Wertz was the President and Chief Executive Officer of Boyer Insurance, Inc., which was later acquired by Wells Fargo Insurance Services, as well as a risk management consultant for Wells Fargo Insurance Services. The Corporate Governance and Nominating Committee believed that the attributes, skills and qualifications Mr. Wertz developed through his leadership and business experiences in the Mahoning Valley business market, as well as his exemplary service as a director of Farmers, have allowed him to provide continued local business and corporate governance expertise to the Board of Directors. Farmers is deeply appreciative of the dedicated service and exemplary guidance that Mr. Wertz has provided over the years of his directorship.

**BENEFICIAL OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

The following table sets forth information as of March 5, 2014, regarding beneficial ownership of the Common Shares by each director, each director nominee, each of the named executive officers of Farmers appearing in the **Summary Compensation Table**, all directors, named executive officers and other executive officers of the Company as a group and by each person known to Farmers to own 5% or more of its Common Shares. In addition, unless otherwise indicated, all persons named below can be reached at Farmers National Banc Corp., 20 South Broad Street, Canfield, Ohio 44406.

Name	Total Beneficial Ownership <sup>(1)</sup>	Percent of Outstanding <sup>(2)</sup>
Gregory C. Bestic	26,146 <sup>(3)</sup>	*
Lance J. Cirolì	25,232 <sup>(4)</sup>	*
Anne Fredrick Crawford.	82,390 <sup>(5)</sup>	*
John S. Gulas	29,802 <sup>(6)</sup>	*
Ralph D. Macali	113,407 <sup>(7)</sup>	*
Terry A. Moore	3,400 <sup>(8)</sup>	*
David Z. Paull	25,912 <sup>(9)</sup>	*
Earl R. Scott	22,156 <sup>(10)</sup>	*
Gregg Strollo	8,305 <sup>(11)</sup>	*
Ronald V. Wertz	109,272 <sup>(12)</sup>	*
Carl D. Culp	14,869 <sup>(13)</sup>	*
Joseph A. Gerzina	6,827	*
Mark L. Graham	12,064 <sup>(14)</sup>	*
Kevin J. Helmick	9,956 <sup>(15)</sup>	*
Brian E. Jackson	1,994	*
Total (18 directors and executive officers)	496,436	2.64%
<b><u>5% Or Greater Shareholders</u></b>		
Ancora Advisors, LLC	1,076,072 <sup>(16)</sup>	5.73%

One Chagrin Highlands

2000 Auburn Drive, Suite 300

Cleveland, Ohio 44122

\* Less than 1%

- (1) The amounts shown represent the total outstanding Common Shares beneficially owned by the individuals or the Common Shares issuable upon the exercise of stock options within 60 days of March 5, 2014. Unless otherwise indicated, each individual has sole voting and dispositive power with respect to the Common Shares indicated.
- (2) For all directors and executive officers, the percentage of class is based upon the sum of: (i) 18,780,980 Common Shares issued and outstanding on March 5, 2014; and (ii) the number of Common Shares, if any, as to which the named individual or group has the right to acquire beneficial ownership upon the exercise of stock options within 60 days of March 5, 2014.
- (3) Mr. Bestic owns his shares jointly with his spouse, and he has shared voting and dispositive power with respect to such shares.
- (4) Amount includes 2,508 Common Shares owned by Mr. Cirolì's spouse, over which Mr. Cirolì's spouse has voting and dispositive power.
- (5) Ms. Crawford owns 61,622 Common Shares jointly with her spouse, and she has shared voting and dispositive power with respect to such shares. Amount includes 8,126 Common Shares held by a trust, over which Ms. Crawford's spouse is trustee with voting and dispositive power. Amount also includes 12,642 Common Shares held by a trust, over which Ms. Crawford has voting and dispositive power but no pecuniary interest therein.
- (6) Amount excludes 1,216 shares beneficially owned by Mr. Gulas' brother-in-law over which Mr. Gulas exercises no voting or dispositive power and disclaims beneficial ownership.



- (7) Amount includes 33,954 Common Shares owned by Mr. Macali's children, over which he has voting and dispositive power. Amount also includes 17,308 and 32,873 Common Shares held by a trust and partnership, respectively, over which Mr. Macali has voting and dispositive power.
- (8) All Shares jointly owned with Mr. Moore's spouse, over which he shares voting and dispositive power.
- (9) Amount includes 20,205 Common Shares jointly owned with Mr. Paull's spouse, over which he shares voting and dispositive power.
- (10) Amount includes 8,411 Common Shares owned by Mr. Scott's spouse, over which Mr. Scott's spouse has voting and dispositive power. Amount also includes 1,344 Common Shares over which he shares voting and dispositive power with his spouse.
- (11) Amount includes 383 Common Shares owned by Mr. Strollo's son, over which his spouse serves as custodian.
- (12) Mr. Wertz owns 278 Common Shares jointly with his spouse, and he has shared voting and dispositive power with respect to such shares. Amount includes 162 Common Shares owned by Mr. Wertz's spouse, over which Mr. Wertz has no voting or dispositive power. Amount also includes 103,213 Common Shares held by two trusts, over which Mr. Wertz shares voting and dispositive power with his spouse.
- (13) Mr. Culp owns 14,032 Common Shares jointly with his spouse, and he has shared voting and dispositive power with respect to such shares. Amount also includes 837 Common Shares, over which he has sole voting and dispositive power.
- (14) Amount includes 702 Common Shares owned by Mr. Graham's children, over which his spouse serves as custodian. Mr. Graham shares voting and dispositive power over 11,489 of these Common Shares with his spouse, and he shares voting and dispositive power over 280 of these Common Shares with his son.
- (15) Mr. Helmick shares voting and dispositive power over 3,061 of these Common Shares with his spouse. Amount also includes 1,344 Common Shares owned by Beverly Helmick, 68 Common Shares owned Kim Falter, as custodian for Rebecca Calvin and Rachelle Calvin, 62 Common Shares owned by Karen Smith, as custodian for Allison Smith, and 744 Common Shares owned by Philip Lammers, over all of which Mr. Helmick has no voting or dispositive power.
- (16) As reported on Schedule 13D filed with the Commission on January 21, 2014, Ancora Advisors, LLC ( Ancora ) is an investment advisor registered under the Investment Advisors Act of 1940, as amended, and is the investment advisor to the Ancora Trust, which includes Ancora Income Fund, Ancora Equity Fund, Ancora Special Opportunity Fund, Ancora/Thelen Small-Mid Cap Fund, and Ancora Microcap Fund (the Ancora Funds ). Ancora has the power to dispose of 767,757 Common Shares ( Advisory Client Shares ) owned the investment clients for which it acts as advisor, including the Ancora Funds, Merlin Partners, AAMAF LP, Birchwood Partners, LP, and Ancora Greater China Fund LP. Ancora also has the power to dispose 265,115 Common Shares ( Investment Client Shares ) owned by investment clients of Ancora. However, Ancora disclaimed any beneficial ownership of all of Advisory Client Shares and Investment Client Shares in its Schedule 13D. In addition, Ancora employees and owners own 43,200 Common Shares.

## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

The following Compensation Discussion and Analysis provides information regarding the compensation programs for Farmers' named executive officers, including: (i) the overall objectives of the Company's compensation program and what it is designed to reward; (ii) each element of compensation that is provided; and (iii) an explanation of the Compensation Committee's decisions regarding Farmers' named executive officers. For purposes of this discussion, references to we, our and us refer to Farmers. For 2013, our named executive officers were:

Name	Title
Kevin J. Helmick <sup>(1)</sup>	President and Chief Executive Officer
Carl D. Culp	Executive Vice President, Treasurer and Secretary of Farmers
Mark L. Graham	Executive Vice President and Chief Credit Officer
Joseph A. Gerzina	Senior Vice President and Chief Lending Officer
Brian E. Jackson	Senior Vice President and Chief Information Officer
John S. Gulas <sup>(1)</sup>	Former President and Chief Executive Officer

<sup>1</sup> On November 7, 2013, the Board of Directors appointed Mr. Helmick President and Chief Executive Officer, the offices formerly held by Mr. Gulas; until that date, Mr. Helmick had served in 2013 as Executive Vice President and Secretary of Farmers, and Executive Vice President Retail and Wealth Management of Farmers Bank.

### Executive Summary

We continued to deliver strong financial performance during 2013 which we believe compared well to our peers in the financial institution industry. We believe that the compensation of our executive team aligned well with their efforts that contributed to sustaining our improved financial performance.

#### *Certain Financial Performance Elements affecting Compensation*

Our net income in 2013 decreased to \$7.8 million compared to \$9.9 million for 2012. Excluding severance expenses of \$1.3 million for terminated employees, net income for 2013 would have been \$8.6 million. The Company underwent a cost reduction program in 2013 that included the closure of two retail branch locations and the elimination of several full time positions. In addition to the cost savings initiatives, the Company also made adjustments to the fee structure for its retail and commercial banking products and services. As a result of these actions, the Company's efficiency ratio improved to 67.96% for the quarter ended December 31, 2013, which compares favorably to the 72.48% reported in the fourth quarter in 2012.

Our basic and diluted earnings per share were \$0.41 in 2013 compared to \$0.53 in 2012. This financial metric was an element of our 2013 annual cash incentive plan (the Annual Incentive Plan), and no payout was awarded for this metric.

Our efficiency ratio was 74.82% for year ended December 31, 2013. This financial metric also was an element of our Annual Incentive Plan, with a target of 68.0%, so this metric did not achieve a level to earn a payout in the plan.

Farmers management believe EPS and the efficiency ratio to be good measures of company performance and will continue to strive to achieve at a high level in those areas despite falling a little short in 2013

*The foregoing financial presentation includes the use of both GAAP (generally accepted accounting principles) and non-GAAP financial measures. We use these financial measures to monitor and evaluate our on-going performance and allocate resources, and we believe that these additional non-GAAP measures are useful to investors for financial analysis. A reconciliation of such non-GAAP financial measures to the most directly comparable GAAP financial measure can be found on page 22 of our Annual Report on Form 10-K as filed with the Commission on March 13, 2014.*

### ***Significant 2013 Compensation Actions***

During fiscal 2013, we evaluated all of our compensation programs, policies and payouts and concluded that our overall compensation structure is aligning well with our pay-for-performance focus and is promoting long-term shareholder value. We undertook the following significant actions in this regard:

#### *Implementation of Executive Separation Policy and Change in Control Agreements in lieu of Employment Contracts*

During 2013, we adopted an Executive Separation Policy applicable to certain executive officers and entered into change in control agreements for such officers. In connection with this implementation, each executive officer that had an employment agreement with Farmers terminated their existing employment agreement. Accordingly, Farmers has no employment agreements with its executive officers.

The Compensation Committee believes that the implementation of the Executive Separation Policy and Change in Control Agreements in lieu of the previous executive employment agreements continues to align with shareholder interests by helping to ensure that Farmers will have the continued dedication, undivided loyalty and objective advice from key executives, even in the event of a potential transaction which could result in a change-in-control of Farmers. The Separation Policy continues to offer certain protections in the event of certain terminations, while the Change in Control Agreements provide certain protections in the event of a change-in-control event, but *only* if the executive's employment is terminated as a result of (or within a specified period after) a change-in-control (*i.e.*, a double trigger).

#### *Annual Incentive Compensation*

We reviewed the structure of the Annual Incentive Plan we first implemented in 2011 for certain of our named executive officers to provide a more market aligned annual incentive compensation opportunity, and we determined to maintain that approach in 2013. As described more fully below under **2013 Named Executive Officer Compensation Annual Incentive Plan**, the Annual Incentive Plan is designed to promote our short-term financial performance and to focus participating named executive officers on the financial drivers of our business plan for the current year. The performance metrics and weighting used for 2013 were earnings per share at 65% weighting, efficiency ratio at 35% weighting, with the payout determined by these objective measures subject to a +/- 20% adjustment for most executive officers, based on an evaluation scorecard assessing individual performance.

The Compensation Committee continued to include a circuit breaker in the 2013 Annual Incentive Plan based on our Texas ratio for the year. The Texas ratio is determined by dividing the amount of Farmers Bank's non-performing loans, other real estate owned and loans delinquent for more than 90 days, by Farmers Bank's tangible capital equity plus its loan loss reserves. If this ratio exceeded 20% for the year, no bonuses would be payable under the Annual Incentive Plan. Farmers' Texas ratio for 2013 was 9.00%, well below this circuit breaker level. The Compensation Committee believes that the use of a circuit breaker in our annual bonus program helps maintain minimum levels of safety and soundness of our institution in the context of providing appropriate near-term incentives for achieving superior financial performance objectives.

*Long-term Incentive Compensation*

Our 2012 Incentive Plan was approved by shareholders at our 2012 annual meeting as a significant step in our continuing efforts to make appropriate long-term incentive compensation available for our named executive officers. As a result, the Compensation Committee now plans to utilize equity-based long-term performance awards to help achieve our long-term performance, recruiting, retention and incentive goals.

During 2013 we again issued cash-based long-term incentive compensation awards under the Long-Term Incentive Compensation Plan adopted in 2011. The performance metrics and weighting used for these 2013 awards were total shareholder return ( TSR ) compared to our peer group companies over a three-year period ending on December 31, 2014 with 30% weighting, and return on average equity ( ROE ) compared to our peer group companies with 70% weighting. These metrics and weighting were consistent with our 2012 cash-based long-term incentive awards.

The three-year performance period for cash-based long-term incentive compensation awards first issued under our Long-Term Incentive Compensation Plan in 2011 ended on December 31, 2013, resulting in the following percentage payouts:

*Fiscal 2013 Long-Term Incentive Compensation Plan Vesting Summary*

Performance Metrics	Weight	2010-2013 Performance Period		Percentage Vested in 2013
		Target	Actual	
Average Return on Average Assets <sup>1</sup>	30%	50 <sup>th</sup>	7.5 <sup>th</sup>	0.0%
Average Net Interest Margin <sup>2</sup>	30%	50 <sup>th</sup>	40.7 <sup>th</sup>	81.4%
Average Texas Ratio <sup>3</sup>	40%	50 <sup>th</sup>	91.5 <sup>th</sup>	150.0%

<sup>1</sup> Compared to the average return on average assets of peer group companies during the three-year performance period.

<sup>2</sup> Compared to the average net interest margin of peer group companies during the three-year performance period.

<sup>3</sup> Compared to the average Texas ratio of peer group companies during the three-year performance period.

*Overall Governance of Compensation Programs*

The Compensation Committee has continued to move to a more objectively structured, market-based approach to our executive compensation programs and to better alignment of our compensation payments with our financial performance, working closely with management and the Committee's independent executive compensation consultant.

**Compensation Committee's Philosophy on Executive Compensation**

Farmers' goal is to hire and retain an executive management team which we believe will promote both short-term and long-term institutional success. We seek to achieve this goal by providing a fair, competitive compensation package that includes performance-based, at-risk pay components aligned with strategic and financial performance objectives in order to drive our annual and long-term performance, which ultimately should align with long-term shareholder value. We also seek to implement a compensation program that appropriately balances risk and financial results so that our compensation programs maintain our overall safety and soundness.

The principal elements of each named executive officers' compensation currently consist of base salary, annual cash incentive compensation and long-term (cash-based through 2013) incentive compensation. Like other employees, the named executive officers also receive matching contributions to their 401(k) retirement plan accounts. At our 2012 Annual Meeting, shareholders adopted and approved the 2012 Incentive Plan, which will allow the Compensation Committee to use equity-based awards as our additional long-term incentive compensation component on a going-forward basis.



### **The Role of the Compensation Committee in Determining Executive Compensation**

The Compensation Committee oversees the compensation of our named executive officers and establishes our executive compensation philosophy, policy, elements and strategy and reviews proposed executive compensation plans and arrangements, including employment and severance arrangements with our executives. In addition, the Compensation Committee evaluates the performance of our executive officers in order to determine appropriate compensation adjustments as well as future compensation decisions. The Compensation Committee also reviews overall corporate policy regarding compensation and benefit programs that are generally available to all employees and may make recommendations concerning those programs.

Although the Compensation Committee has authority to approve individual compensation arrangements, for example employment contracts and individual incentive award goals, as well as authority to engage legal advisors and compensation consultants for advice about compensation issues, the Compensation Committee does not act entirely autonomously in considering and implementation our compensation plans. For example, the Compensation Committee recommends the terms of our annual incentive compensation program subject to final approval of the full Board of Directors. At the Compensation Committee's request, management may provide financial, tax, accounting, or operational information relevant to Compensation Committee deliberations.

### **Role of Compensation Consultant**

As permitted by the Compensation Committee Charter, the Compensation Committee engaged Pay Governance, LLC ( Pay Governance ) as its outside independent compensation consultant during 2011 and retained Pay Governance throughout 2012 and 2013. Pursuant to the terms of its engagement by the Compensation Committee, Pay Governance generally reviewed, analyzed and provided advice regarding our executive compensation and director compensation programs in relation to the objectives of those programs, including comparisons to designated peer group companies and comparisons to best practices, and provided information and advice on competitive compensation practices and trends, along with specific views on our compensation programs. In its role as compensation consultant, representatives of Pay Governance engaged in discussions with the Compensation Committee and responded on a regular basis to questions from the Committee and the Committee's other advisors, providing them with their opinions with respect to the design and implementation of current or proposed compensation programs. During fiscal 2013, Pay Governance reported directly to the Compensation Committee and the Committee retains the sole authority to retain or terminate Pay Governance.

### *Compensation Consultant Independence*

Pursuant to recent amendments to the NASDAQ Corporate Governance Requirements, the Compensation Committee has the responsibility to consider certain independence factors before selecting compensation consultants and other compensation advisers. In connection with the foregoing, the Compensation Committee reviewed, considered and discussed the relevant factors established by NASDAQ to determine such independence, both through surveying Pay Governance and by soliciting input from members of the Compensation Committee through our annual director and officer questionnaires. Based on its review, consideration and discussion, the Compensation Committee determined that the work performed and to be performed by Pay Governance as the Committee's compensation consultant has not raised and does not raise any conflict of interest, and also determined that Pay Governance qualifies as independent for purposes of the Exchange Act and revised NASDAQ Corporate Governance Requirements.

### **Peer Group Evaluation and Executive Compensation Benchmarks**

The Compensation Committee has generally evaluated compensation practices at similarly situated financial institutions to help determine the levels of compensation for financial services executives in our geographic market. In addition, the Compensation Committee does not have a practice of adhering to a strict formula in

order to determine executive officer compensation packages rather has relied on a variety of factors including experience, responsibility, individual performance and our overall financial performance. However, given the competitive nature of the financial services industry in general, and the fact that we compete in a primary market with regional and national banking organizations that are significantly larger and that can provide more attractive compensation packages to top executive talent, the Compensation Committee recognizes the need to provide competitive overall compensation opportunities to retain our high-performing executives and attract new executive talent.

*2013 Peer Group*

During the course of fiscal 2011, the Compensation Committee, with the assistance of Pay Governance, undertook a detailed review of its prior market evaluation strategies and determined to establish a peer group of similarly situated financial institutions for purposes of determining competitive market positioning for the Committee's executive compensation determinations. In this regard, the Compensation Committee used several factors to identify, evaluate and select potential peers, including, but not limited to: (i) factors of size (e.g., revenues, assets, employees and market capitalization); (ii) factors of profitability and growth (e.g., revenue and operating income); and (iii) geographic location.

Based upon this analysis, for fiscal 2013, the Compensation Committee selected the following peer group of 26 companies (the 2013 Peer Group) to evaluate the competitiveness of our pay structures and levels:

AmeriServ Financial, Inc.	Middlefield Banc Corp.
Canandaigua National Corp.	National Bank of Indianapolis Corp.
Chemung Financial Corp.	NB&T Financial Group, Inc.
CNB Financial Corp.	Ohio Valley Banc Corp.
Cortland Bancorp Inc.	Peoples Bancorp Inc.
Evans Bancorp Inc.	Premier Financial Bancorp Inc.
Firstbank Corporation	Rurban Financial Corp.
First Citizens Banc Corp.	Star Financial Group, Inc.
First Farmers Bank and Trust, Inc.	Summit Financial Group Inc.
Independent Alliance Banks, Inc.	The Citizens National Bank of Bluffton
LCNB Corp.	Tower Financial Corporation
LNB Bancorp Inc.	United Bancorp, Inc.
Mercantile Bank Corp.	United Community Financial Corp.

**2013 Named Executive Officers Compensation**

*Base Salary*

Base salaries are intended to reward the named executive officers based upon their roles with us and for their performance in those roles. For each named executive officer, their base salaries are reviewed annually subject to adjustments based upon our financial performance, the individual performance of the particular executive, and our overall compensation philosophy. For all executive officers who directly report to the Chief Executive Officer, Mr. Helmick annually evaluates each executive officer to determine whether a base salary increase or decrease is merited based upon individual performance and presents his base salary adjustment recommendation to the Compensation Committee. As part of his evaluation process, Mr. Helmick evaluates each of our named executive officers on a variety of factors including leadership performance, strategic planning and execution, communication abilities, business knowledge and awareness and accountability. In regards to Mr. Gulas, during 2013 the Compensation Committee undertook a separate evaluation to determine whether a base salary adjustment was appropriate. In undertaking its evaluation, the Compensation Committee evaluated Mr. Gulas based upon the individual performance factors described above as well as Farmers' overall financial and strategic performance in 2012.

As a result of the evaluations described above, the following merit-based base salary adjustments were implemented in early 2013: (i) Mr. Culp received a base salary increase of approximately 2.2%; (ii) Mr. Graham received a base salary increase of approximately 2.0%; (iii) Mr. Helmick initially received a base salary increase of approximately 4.8% in April, 2013, but in November 2013 his base salary was increased to \$250,000 (a further increase of 68.8%) in connection with his appointment as President and Chief Executive Officer; (iv) Mr. Gerzina received a base salary increase of approximately 1.8%; and Mr. Jackson received a base salary increase of approximately 2.9%. Mr. Gulas' last base salary adjustment reflected an increase of approximately 2.1% in April 2013.

#### *Annual Incentive Plan*

The Compensation Committee believes that performance-based annual cash incentives are an effective way to compensate executives for working together as a team to achieve short-term specific financial goals, which the Compensation Committee and management have established as near-term drivers of our long-term success. The following is a discussion of the annual cash incentive program implemented by the Compensation Committee during 2013.

In June 2011, the Compensation Committee adopted our Annual Incentive Plan under which certain of our executive officers and non-executive employees became eligible to receive annual cash incentive payments, based upon achievement of certain corporate and/or individual performance goals. As adopted, the Annual Incentive Plan is intended to foster superior financial results by providing equitable corporate-wide incentives that reward individual and team effort to achieve specified performance objectives to be determined and applied each fiscal year. Our full-time and part-time, regular, non-commissioned-based associates and executives, as well as those of our subsidiaries, are generally eligible to participate in the Annual Incentive Plan, with individual participation determination made by the Compensation Committee.

In June 2013, the Board of Directors, upon the recommendation of the Compensation Committee, established the target bonus awards (expressed as a percentage of base salary) under the Annual Incentive Plan for each eligible named executive officer. The following table sets forth the total target bonus opportunities for each participating named executive officer (expressed as a percentage of their base salaries):

<b>Named Executive Officer</b>	<b>Target Annual Incentive Plan Opportunity (as a % of base salary)</b>
Kevin J. Helmick	35%
Carl D. Culp	35%
Mark L. Graham	35%
Joseph A. Gerzina	30%
Brian E. Jackson	30%
John S. Gulas	35%

Payments under the Annual Incentive Plan are contingent primarily upon the achievement of pre-established performance goals relating to objective financial metrics established for each participating named executive officer by the Compensation Committee, and secondarily upon the results of a subjective evaluation of each individual executive's performance. Each of the elements has an assigned weight and each of the objective financial criteria has a specific target or goal for the year. In the event that we (or the individual participant) do not meet the specified goal or target for a particular metric, then no compensation will be paid with respect to that objective portion of the Annual Incentive Plan. The Compensation Committee established a threshold payout of 50% of target opportunity upon attaining 80% of the objective metric targets, and a maximum payout of 150% of target opportunity.



In establishing the Annual Incentive Plan's objective metrics and targets for 2013, the Compensation Committee utilized the Company's budgeting model to set the performance at levels that were determined to be achievable with strong management performance. The following tables set forth the applicable objective performance metrics, weightings, targets and payouts for each of the named executive officers under the Annual Incentive Plan in 2013:

*Kevin J. Helmick, Carl D. Culp, and John S. Gulas*

Performance Metrics <sup>1</sup>	Weight <sup>2</sup>	Target	Actual	Payout
Earnings Per Share	65%	\$ .55	\$ .41	\$ 0
Efficiency Ratio	35%	69.00%	74.50%	\$ 0

<sup>1</sup> The payout determined by these objective measures was also subject to a +/- 20% subjective adjustment, based on an evaluation scorecard assessing individual performance as described further immediately following these tables.

<sup>2</sup> Expressed as a percentage of total objective-based bonus opportunity.

*Mark L. Graham*

Performance Metrics	Weight	Target	Actual	Payout
Earnings Per Share	30%	\$ .55	\$ .41	\$ 0
Classified Loans Ratio <sup>1</sup>	25%	35.00%	17.86%	\$ 19,583
Asset Quality Ratio <sup>2</sup>	30%	1.50%	1.44%	\$ 17,703
Subjective	15%	100.00%	100.00%	\$ 7,833

<sup>1</sup> Farmers Bank's classified loans as a percentage of Tier 1 Capital plus the allowance for loan losses.

<sup>2</sup> Farmers Bank's non-performing loans divided by total loans.

*Joseph A. Gerzina*

Performance Metrics	Weight	Target	Actual	Payout
Earnings Per Share	20%	\$ .55	\$ .41	\$ 0
Stark County, OH Net Profitability <sup>1</sup>	25%	\$ 533,463	\$ 589,759	\$ 12,238
Commercial Loan Growth & Referrals	15%	100.00%	103.94%	\$ 6,904
Mortgage & Indirect Loan Growth	15%	100%	101.14%	\$ 6,717
Non-Interest Bearing Deposits	15%	\$ 2,350,000	\$ 21,892,240	\$ 9,963
Subjective	10%	100.00%	100.00%	\$ 4,428

<sup>1</sup> Net profitability determined by the net income of the Farmers Bank office operating in Stark County, Ohio.

*Brian E. Jackson*

Performance Metrics	Weight	Target	Actual	Payout
Earnings Per Share	20%	\$ .55	\$ .41	\$ 0
Support of Loan Growth <sup>1</sup>	15%	8.00%	7.52%	\$ 5,179
Support of Deposit Growth	15%	3.00%	(1.00)%	\$ 0
Support of Trust/Wealth Growth	15%	\$ 6,565,000	\$ 6,652,246	\$ 5,754
IT Examination Rating	20%	N/A	Attained	\$ 11,508
Subjective	15%	100.00%	100.00%	\$ 5,754

<sup>1</sup> As measured by net growth in loan portfolio, including loans held for sale.

As noted above, in addition to the objective performance metrics, the Compensation Committee established a subjective adjustment metric for each of the named executive officers weighted between 10% and 20% of the total bonus opportunity for each executive officer. Payouts under this subjective metric were based on evaluations overall job performance during 2013 using an extensive performance review scorecard for each executive. For each named executive officer other than Mr. Gulas and Mr. Helmick, the scorecards were completed by Mr. Helmick and provided the basis of his recommendations to the Compensation Committee for the subjective portion of the executives' bonuses for 2013. For Mr. Gulas and Mr. Helmick, each member of the Board of Directors completed a scorecard which were reviewed by the Compensation Committee members in reaching a determination with respect to the subjective element of the 2013 annual bonus. Based upon such reviews, the Compensation Committee determined to make the following payouts with respect to the subjective element of the total bonus opportunity: (i) Mr. Gulas 0% of target; (ii) Mr. Culp \$12,232, 100% of the possible 20% adjustment based on total target opportunity; (iii) Mr. Helmick, \$8,668, 100% of the possible 15% adjustment based on total target opportunity; (iv) Mr. Graham \$7,833, 100% of the possible 15% adjustment based on total target opportunity; (v) Mr. Gerzina \$4,428, 100% of the possible 10% adjustment based on total target opportunity target; and (vi) Mr. Jackson \$5,754, 100% of the possible 15% adjustment based on total target opportunity target.

Finally, the Compensation Committee determined to include a circuit breaker in the 2013 Annual Incentive Plan based on our Texas ratio for the year. The Texas ratio is determined by dividing the amount of Farmers Bank's non-performing loans, other real estate owned and loans delinquent for more than 90 days, by Farmers Bank's tangible capital equity plus its loan loss reserves. If this ratio exceeded 20% for the year, no bonuses would be payable under the Annual Incentive Plan. Farmers' Texas ratio for 2013 was 9.00%, well below this circuit breaker level. The Compensation Committee believes that the use of a circuit breaker in our annual bonus program helps maintain minimum levels of safety and soundness of our institution in the context of providing appropriate near-term incentives for achieving superior financial performance objectives.

As a result of the performance of Farmers with respect to the above-described objective metrics and each named executive officer's individual performance evaluations, the Compensation Committee awarded the following payouts in 2014 with respect to 2013 performance under the Annual Incentive Plan:

Named Executive Officer	Total Payout	Payout as a Percentage of 2013 Target Opportunity
	Amount Earned under 2013 Annual Incentive Plan	
Kevin J. Helmick	\$ 8,668	15.00%
Carl D. Culp	\$ 12,232	20.00%
Mark L. Graham	\$ 45,119	86.40%
Joseph A. Gerzina	\$ 40,249	90.90%
Brian E. Jackson	\$ 28,195	73.50%
John S. Gulas	\$ 0.00	0.00%

*Commission and Incentive Programs of Farmers National Investments and Farmers Trust Company*

Mr. Helmick participated in two commission programs in 2013 in addition to his base salary and the Annual Incentive Plan, which were based on the performance of the Farmers National Investments division of Farmers Bank ( Farmers Investments ) and the performance of Farmers Trust Company. From January 1, 2013 thru November 7, 2013, Mr. Helmick was entitled to a commission of 1.3% on all Farmers Investments net monthly revenue up to \$67,000, a commission of 1.9% on all Farmers Investments net monthly revenue which is between \$67,000 and \$79,000, and a commission of 2.5% on all Farmers Investments net monthly revenue above \$79,000. As part of the Farmers Trust Company Trust Referral Incentive Program, Mr. Helmick is entitled to receive 50% of first year fees, 40% of second year fees and 30% of third year fees from current funded business, or alternatively 25% of fees for the life of an account. The Trust incentives were payable quarterly commencing upon full funding of an account. In the event an account is closed within the first year, the amount of any incentive payment was required to be repaid by Mr. Helmick. In 2013, Mr. Helmick received a commission of

\$23,542 based on the results of Farmers National Investments, and an incentive payment of \$7,185 based on referrals to Farmers Trust Company. Upon his appointment as President and Chief Executive Officer on November 7, 2013, Mr. Helmick's base salary was increased to \$250,000 and he ceased to currently participate under these programs, although he will continue to receive certain referral incentive payments for prior referrals as described in the foregoing summary.

*Long-Term Cash Incentive Compensation Plan*

In conjunction with the initial adoption of the Annual Incentive Plan in 2011, the Board of Directors approved a long-term cash incentive compensation plan (the LTI Cash Program) under which our executive officers and certain other employees are eligible to receive cash incentive payments, based upon the achievement of certain corporate and/or individual performance metrics. The purpose of the LTI Cash Program was to foster and promote Farmer's long-term financial success and value by motivating performance through long-term incentive compensation, pending review and approval by the Compensation Committee. The LTI Cash Program was intended to attract and retain the services of talented individuals and motivate participants to achieve performance objectives that promote sound and financially healthy growth. The LTI Cash Program became effective upon its approval by the Board of Directors and may continue until terminated by the Board, although we intend to discontinue the LTI Cash Program in light of the adoption by shareholders of our 2012 Incentive Plan and our ability to award equity-based long-term incentive awards going forward.

The LTI Cash Program allows for the issuance of cash-based awards to participants based upon the achievement of one or more performance objectives during a three year period (the Performance Period). Each participant's target award is based on a specified percentage of each participant's prior year total cash compensation, as determined by the Compensation Committee, and may be earned at the target, threshold or maximum performance level based upon the achievement of one or more performance objectives during the Performance Period. For performance falling below the threshold level, no award payment will be made. Performance objectives may relate to an individual participant, us, our affiliates, one or more divisions or business units, or any combination thereof, and may be applied on an absolute and/or relative basis to one or more peer group companies or indices, as determined by the Compensation Committee in its sole discretion.

In September 2013 the Board of Directors, upon the approval and recommendation of the Compensation Committee, established the target bonus awards (expressed as a percentage of base salary) under the LTI Cash Program for each eligible named executive officer and established that each executive's total bonus opportunity would be based upon the achievement of certain performance metrics. The following table sets forth the target bonus opportunities for each participating named executive officer (expressed as a percentage of base salary):

Name	Target LTI Program Award (as a % of base salary)
Kevin J. Helmick	40%
Carl D. Culp	45%
Mark L. Graham	40%
Joseph A. Gerzina	25%
Brian E. Jackson	25%
John S. Gulas	60%

In conjunction with establishing the target long-term incentive opportunity for our executive officers, the Compensation Committee selected performance metrics for evaluating corporate performance during the Performance Period, along with the respective weighting for each metric. In selecting performance metrics for the 2013 awards, the Compensation Committee chose metrics intended to focus our executive officers on certain key drivers and measures of long-term financial success. In light of such objectives, the Compensation Committee established the following corporate performance metrics and weightings for the LTI Cash Program in 2013, which was consistent with the structure of the 2012 awards: (i) relative TSR at a weighting of 30%; and

(ii) relative ROE at a weighting of 70%. This represented a shift in the long-term performance metrics used for our 2011 long-term incentive awards, which included the following corporate performance measures and weightings: (i) return on assets (30%); (ii) net interest margin (30%); and (iii) Texas ratio (40%).

For purpose of evaluating corporate performance under the LTI Cash Program, the Compensation Committee determined to evaluate our performance during the Performance Period relative to our 2013 Peer Group. Specifically, at the end of the Performance Period, we will evaluate our performance relative to the two objective metrics compared to the averages of our 2013 Peer Group. The following table indicates our intended payouts at the threshold, target and maximum levels. The threshold level remained the same as 2012, but the relative performance required for payouts at the target and maximum levels each were increased to encourage attainment of stronger performance levels, as noted below:

Relative Performance of TSR and ROE to Peer Group Companies	Vesting Percent for TSR and ROE Levels
≤ Peer 25 <sup>th</sup> Percentile	0%
= Peer 50 <sup>th</sup> Percentile	50%
= Peer 59 <sup>th</sup> Percentile	100%
≥ Peer 85 <sup>th</sup> Percentile	250%

For performance falling within each of the percentile ranges, payouts will be paid on an interpolated basis. The threshold, target and maximum award payouts that may be received by each of our named executive officers upon completion of the Performance Period at the end of 2016 is reported in the Grants of Plan-Based Awards table located on page 33 of this proxy statement.

The Compensation Committee intends to utilize our 2012 Incentive Plan for future grants of equity-based long-term incentive compensation opportunities in 2014.

*Clawback Policy*

Farmers has adopted a clawback policy as part of its Incentive Compensation Guidelines. Pursuant to that policy, if the Company is required to restate all or a significant portion of its financial statements, the Board is empowered, in its discretion, to require reimbursement of all or any portion of bonuses paid or incentive compensation awarded to any participant in an incentive compensation program, and/or effect the cancellation of all or any portion of unpaid awards which may be paid to such participants if: (a) the amount of the bonus or incentive compensation was calculated based on the achievement of financial results that were subsequently the subject of a material restatement, and (b) the amount of the bonus or incentive compensation that would have been awarded to the participant, had the financial results been properly reported, would have been lower than the amount actually awarded. The Company acknowledges under this policy that it is not intended to add any forfeiture obligations or financial responsibilities to the Chief Executive Officer or Chief Financial Officer which are in addition to, or duplicative of, those obligations arising under Section 304 of the Sarbanes-Oxley Act of 2002.

Furthermore, if a participant in any incentive compensation program engages in misconduct related to such program, regardless of whether any restatement of financial statements is required as a result thereof, the Board shall take such actions as it considers appropriate to address the misconduct. Such actions may include cancellation of any unpaid portion of incentive compensation awarded to such participant, reimbursement of any incentive compensation paid to such participant, and other disciplinary actions.

*401(k) Contributions*

In May 1996, we adopted a 401(k) Profit Sharing Retirement Savings Plan (the 401(k) Plan ). All of our employees who have completed at least one year of service and meet certain other eligibility requirements are

eligible to participate in the 401(k) Plan. Under the terms of the 401(k) Plan, employees may voluntarily defer a portion of their annual compensation, subject to applicable federal restrictions and deferral limitations, and Farmers Bank matches a percentage of each participant's voluntary contributions, up to 6% of gross wages. In addition, at the discretion of the Board of Directors, Farmers Bank may make an additional profit sharing contribution to the 401(k) Plan. During 2013, Farmers Bank provided 401(k) Plan matching contributions for each of the named executive officers, although we did not make any additional profit sharing contributions in 2013.

#### *Perquisites and Other Compensation*

Executive officers also participate in broad-based employee benefit plans, such as medical, dental, supplemental disability, retiree health insurance and term life insurance programs. Except for country club memberships provided by Farmers Bank to the named executive officers, executive officers did not receive any perquisites or personal benefits in 2013 that are not available to all employees.

#### *Employment Agreements*

The Compensation Committee carefully considers the use and conditions of any employment agreements. The Compensation Committee recognizes that employment agreements containing severance and change-in-control arrangements are often appropriate to attract prospective executives who forego significant compensation and opportunities at the companies they are leaving, or who face relocation expenses in order to accept employment. Generally, executives are not willing to accept such risks and costs without protection in the event that their employment with us is terminated due to unanticipated changes, including a change-in-control.

On November 7, 2013, Farmers adopted an Executive Separation Policy, which currently applies to Messrs. Helmick, Culp, Graham, Gerzina, and Jackson. In addition, Farmers entered into change in control agreements ( Change in Control Agreements ) with each of Messrs. Helmick, Culp, Graham, Gerzina, and Jackson, effective as of November 7, 2013. Contemporaneously with the implementation of the new Executive Separation Policy and Change in Control Agreements, the Company terminated the previous employment agreements with Messrs. Helmick, Culp, and Graham. The material provisions of the Executive Separation Policy and the Change in Control Agreements are discussed under the caption **Employment Agreements; Executive Separation Policy** beginning on page 33 of this proxy statement. In connection with the execution of the Change in Control Agreements, each executive officer that had an employment agreement with Farmers Bank terminated his existing employment agreement. As a result, Farmers has no employment agreements with its executive officers.

Overall, the Compensation Committee believes that the implementation of the Executive Separation Policy and Change in Control Agreements in lieu of the previous employment agreements continues to align with shareholder interests by helping to ensure that Farmers will have the continued dedication, undivided loyalty and objective advice from key executives, even in the event of a potential transaction which could result in a change-in-control of Farmers. The Separation Policy continues to offer certain protections in the event of certain terminations, while the Change in Control Agreements provide certain protections in the event of a change-in-control event, but *only* if the executive's employment is terminated as a result of (or within a specified period after) a change-in-control (*i.e.*, a double trigger). The Compensation Committee does not believe that executives should receive compensation benefits merely as a result of a change-in-control; rather, it believes that our employment agreements provide our executive officers with adequate protection to ensure that change-in-control offers will be evaluated in the best interests of shareholders without fear that a transaction could eliminate his or her job without dispensation. The Compensation Committee does recognize that these agreements may tend to discourage a takeover attempt as a change-in-control may trigger increased compensation expense as part of the transaction.

**Section 162(m) of the Internal Revenue Code**

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) places a limit on the tax deduction for compensation exceeding \$1.0 million paid to the chief executive officer and four most highly compensated executive officers of a corporation in a taxable year, but performance-based compensation such as stock-option compensation and performance-based cash bonuses are generally exempt from the \$1.0 million limit if awarded under a stockholder-approved plan. We expect that all of the compensation paid in 2012 and 2013 to its named executive officers is and will be deductible. The Board of Directors and the Compensation Committee could, however, award non-deductible compensation as they deem appropriate. Moreover, because of ambiguities in the application and interpretation of Section 162(m) and the regulations issued under Section 162(m), there can be no assurance that compensation intended to satisfy the requirements for deductibility under Section 162(m) actually will be deductible.

**Stock Ownership Guidelines**

As part of the Company's Corporate Governance Guidelines, it has adopted stock ownership guidelines for our directors and executive officers. These guidelines require that, within five years from the date a person first becomes a non-executive director, or within eight years of March 15, 2016 or 11 years from the date a person first becomes a director or an executive officer of the Corporation (unless, due to specific facts and circumstances, a different period of time is determined to be appropriate by the Corporate Governance and Nominating Committee), the following amounts of Common Shares be owned by that person:

<b>Position</b>	<b>Minimum Ownership Requirement</b>
Non-executive Director	4x Annual Retainer
Chief Executive Officer/President	2x Annual Base Salary
Chief Financial Officer	1.25x Annual Base Salary
Other Executive Officers	1x Annual Base Salary

Individuals subject to these guidelines are expected to satisfy certain milestones during the attainment periods to evidence that the individual is making appropriate progress toward achieving their respective ownership amount. In determining compliance with these guidelines, the Compensation Committee considers the beneficial ownership of our executive officers and directors as required to be reported in a proxy statement.

**Director Compensation**

The Compensation Committee is also responsible for determining compensation for our non-employee directors. Generally, the Compensation Committee structures director compensation in a fashion to attract and retain high quality individuals to serve on the Board of Directors, to compensate such individuals for the time and energy expended in providing us their expertise, considering the size, nature and location of Farmers as a bank holding company competing in our markets. On an annual basis, the Compensation Committee requests that its compensation consultant evaluate our current director compensation levels relative to our peers. Generally, it is the overall goal of the Compensation Committee to position Director compensation at a median market level. During 2012, upon consultation and review with Pay Governance, the Compensation Committee determined to eliminate director meeting fees in favor of an annual retainer structure for non-employee directors. For 2013, the Compensation Committee approved establishing a general annual director retainer fee of \$35,000 and the following retainers for directors with additional duties: (i) \$15,000 for the independent Board Chair, and (ii) \$5,000 for each committee chair. Director compensation amounts are reflected in the **Director Compensation** table located on page 36 of this proxy statement.

**Oversight and Risk Management of Compensation Programs**

The Compensation Committee oversees the implementation and enforcement of our policies, procedures and practices related to its various compensation programs as part of its duties. This is designed to monitor our compensation policies to ensure that the compensation packages offered to its employees and executive officers

do not present such individuals with the potential to engage in excessive or inappropriate risk taking activities. In addition, the Risk Management Committee works with the Compensation Committee in order to monitor our compensation policies, procedures and practices, as part of its duties to monitor enterprise-wide risk.

The Compensation and Risk Management Committees believe that our current compensation structure for employees and executive officers does not encourage unnecessary or excessive risk taking to the extent that it would reasonably likely lead to a material adverse effect. It is the opinion of the Compensation and Risk Management Committees that our current compensation programs appropriately balance risk and the desire to focus on our short-term and the long-term goals without encouraging unnecessary or excessive risk taking.

#### **Compensation Committee Interlocks and Insider Participation**

During the last completed fiscal year, none of the members of the Compensation Committee was an officer or employee of Farmers or any of our subsidiaries, or was formerly an officer of Farmers or any of our subsidiaries. None of our directors had any business or financial relationship with us requiring disclosure in this proxy statement.

#### **THE COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed this Compensation Discussion and Analysis with Farmers' management. Based upon this review and discussion, the Compensation Committee recommends to the Board of Directors that this Compensation Discussion and Analysis be included in this proxy statement and our Annual Report on Form 10-K.

Compensation Committee:

David Z. Paull, Chair

Lance J. Cirolì

Anne Frederick Crawford

Gregg Strollo



## EXECUTIVE COMPENSATION AND OTHER INFORMATION

### Summary of Cash and Certain Other Compensation

The following table provides summary compensation information for the following named executive officers of Farmers for 2013: (i) Kevin J. Helmick, President and Chief Executive Officer, (ii) Carl D. Culp, Executive Vice President and Chief Financial Officer, (iii) Mark L. Graham, Executive Vice President and Chief Credit Officer, (iv) Joseph A. Gerzina, Senior Vice President and Chief Lending Officer, (v) Brian E. Jackson, Senior Vice President and Chief Information Officer, and (vi) John S. Gulas, former President and Chief Executive Officer, for whom disclosure would have been provided but for the fact that he was not serving as an executive officer of Farmers at December 31, 2013.

### Summary Compensation Table

Name and Principal Position	Year	Salary <sup>(1)(2)</sup> (\$)	Non-Equity Incentive			401(k) Contributions <sup>(4)</sup> (\$)	All Other Compensation <sup>(5)</sup> (\$)	Total (\$)
			Stock Awards <sup>(3)</sup> (\$)	Plan Compensation <sup>(3)</sup> (\$)				
Kevin J. Helmick President and Chief Executive Officer	2013	\$ 185,526	\$ 0	\$ 74,039	\$ 6,456	\$ 5,303	\$ 271,324	
	2012	\$ 178,725	\$ 0	\$ 44,262	\$ 5,497	\$ 5,355	\$ 233,839	
Carl D. Culp Executive Vice President and Chief Financial Officer	2013	\$ 173,812	\$ 0	\$ 94,866	\$ 6,018	\$ 2,228	\$ 276,924	
	2012	\$ 169,898	\$ 0	\$ 53,566	\$ 7,083	\$ 1,860	\$ 232,407	
Mark L. Graham Executive Vice President and Chief Credit Officer	2013	\$ 148,488	\$ 0	\$ 103,514	\$ 5,319	\$ 8,385	\$ 265,706	
	2012	\$ 144,035	\$ 0	\$ 57,622	\$ 5,613	\$ 8,010	\$ 215,280	
Joseph A. Gerzina Senior Vice President and Chief Lending Officer	2013	\$ 146,947	\$ 0	\$ 40,249	\$ 2,221	\$ 8,375	\$ 197,792	
	2012	\$ 131,929	\$ 0	\$ 47,143	\$ 4,591	\$ 8,616	\$ 184,039	
Brian E. Jackson Senior Vice President and Chief Information Officer	2013	\$ 126,974	\$ 0	\$ 61,025	\$ 3,809	\$ 478	\$ 192,286	
	2012	\$ 124,283	\$ 0	\$ 37,149	\$ 3,308	\$ 466	\$ 165,206	
John S. Gulas Former President and Chief Executive Officer	2013	\$ 254,416	\$ 0	\$ 0	\$ 7,632	\$ 10,160	\$ 272,208	
	2012	\$ 293,020	\$ 0	\$ 81,646	\$ 7,500	\$ 7,356	\$ 389,522	
	2011	\$ 275,603	\$ 0	\$ 108,288	\$ 7,350	\$ 7,090	\$ 398,331	

- (1) Mr. Helmick's base salary was increased to \$250,000 on November 7, 2013 upon his appointment as President and Chief Executive Officer. In 2012 and in 2013 until such appointment, Mr. Helmick's annual salary included a base salary, a monthly commission based on production generated from the Farmers National Investments division of Farmers Bank, and a quarterly incentive based on production generated from Farmers Trust Company, a Farmers subsidiary. In 2013, Mr. Helmick received a commission of \$23,542 based on the results of Farmers National Investments, and an incentive payment of \$7,185 based on referrals to Farmers Trust Company. Upon his new appointment, Mr. Helmick ceased to benefit from future production commissions or referral incentives, although he will continue to receive certain incentive payments for prior referrals. In 2012, Mr. Helmick received commissions and incentive payments totaling \$41,467 under these programs. In 2011, Mr. Helmick received commissions totaling \$73,394 under a different commission program based on production generated from Farmers National Investments.
- (2) For Mr. Gulas, 2013 amount reflects salary received through November 4, 2013.
- (3) The non-equity incentive plan compensation required to be disclosed in this column includes (i) amounts earned under the Annual Incentive Plan as a result of achieving the goals specified for the designated year; and (ii) for 2013, the following amounts earned with respect to awards granted in 2011 under the Long-Term Incentive Compensation Plan: Mr. Helmick, \$65,371; Mr. Culp, \$82,634; Mr. Graham, \$58,395; and Mr. Jackson, \$32,830.
- (4) See page 28 of the **Compensation Discussion and Analysis** for additional information regarding the Company's 401(k) Plan and matching contributions.
- (5) For each executive, amounts consist of the cost of group term life insurance and country club dues.



### Grants of Plan Based Awards

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards		
		Threshold(\$)	Target(\$)	Maximum(\$)
Kevin J. Helmick	06/25/2013 <sup>(1)</sup>	\$ 46,231	\$ 57,789	\$ 86,684
	12/11/2013 <sup>(2)</sup>	\$ 33,022	\$ 66,044	\$ 165,110
Carl D. Culp	06/25/2013 <sup>(1)</sup>	\$ 48,928	\$ 61,160	\$ 91,740
	12/11/2013 <sup>(2)</sup>	\$ 39,317	\$ 78,634	\$ 196,586
Mark L. Graham	06/25/2013 <sup>(1)</sup>	\$ 41,777	\$ 52,221	\$ 78,332
	12/11/2013 <sup>(2)</sup>	\$ 29,840	\$ 59,681	\$ 149,203
Joseph A. Gerzina	06/25/2013 <sup>(1)</sup>	\$ 35,423	\$ 44,279	\$ 64,418
	12/11/2013 <sup>(2)</sup>	\$ 18,449	\$ 36,899	\$ 92,247
Brian E. Jackson	06/25/2013 <sup>(1)</sup>	\$ 30,688	\$ 38,360	\$ 57,540
	12/11/2013 <sup>(2)</sup>	\$ 15,983	\$ 31,967	\$ 79,917
John S. Gulas	06/25/2013 <sup>(1)</sup>	\$ 83,768	\$ 104,710	\$ 157,065

- (1) Reflects potential award payouts under the Annual Incentive Plan with respect to 2013 performance. Further discussion of the Annual Incentive Plan and the potential payouts to participants in that plan is contained under **2013 Named Executive Officers Compensation Annual Incentive Plan** beginning on page 24 of this proxy statement.
- (2) Reflects potential award payouts under the LTI Cash Program with respect to the performance period ending at the end of 2015. Further discussion of the LTI Cash Program and the potential award payouts to participants in that plan is contained under **2013 Named Executive Officers Compensation Long-Term Cash Incentive Compensation Plan** beginning on page 27 of this proxy statement.
- 2013 Named Executive Officer Compensation Components**

The primary elements of each executive officer's total compensation reported in the **Summary Compensation Table** are the executive officer's base salary and annual incentive bonus. Each executive officer also received other benefits as listed in the **All Other Compensation** column.

#### Outstanding Equity Awards at Fiscal Year-End

There were no outstanding equity awards at fiscal year-end issued to any of the named executive officers.

#### Employment Agreements; Executive Separation Policy

In connection with the signing of the Change in Control Agreements described below, each of Messrs. Helmick, Culp and Graham terminated their existing employment agreements with Farmers. As a result, Farmers no longer has written employment agreements with any of its executive officers, and their terms of employment will be governed by the Executive Separation Policy and any Change in Control Agreement, the material terms of each are described below.

##### *Change in Control Agreements*

On November 7, 2013, Farmers entered into Change in Control Agreements with each of its current executive officers, including all of its named executive officers (Messrs. Helmick, Culp, Graham, Gerzina, and Jackson)

In the event that an executive officer's employment is terminated by Farmers, other than for Cause, or by the executive, for Good Reason, during the six-month period commencing prior to a Change in Control (all as defined in the Change in Control Agreement) or the 12-month period thereafter, then the executive would be

eligible to receive the benefits set forth in the Change in Control Agreement. Those benefits include (i) a payment in an amount equal to the executive's annual base salary multiplied by three (for Mr. Helmick), two and one-half (for Messrs. Culp and Graham) or one (for all other executive officers including Mr. Gerzina and Mr. Jackson); (ii) a lump sum amount equal to the average of the annual incentive bonus paid to the executive in the three years preceding termination multiplied by three (for Mr. Helmick), two and one-half (for Messrs. Culp and Graham) or one (for all other executive officers including Mr. Gerzina and Mr. Jackson); (iii) a pro rata incentive bonus of the year of termination (assuming performance had been attained at the target level); (iv) a lump sum payment in an amount equal to the monthly COBRA premium payable by the executive to continue to receive health benefits at a level similar to which the executive and his spouse and dependents were participating multiplied by 36 (for Mr. Helmick), 30 (for Messrs. Culp and Graham) or 12 (for all other executive officers including Mr. Gerzina and Mr. Jackson); and (v) a lump sum of \$20,000 for outplacement services (for Messrs. Helmick, Culp and Graham).

Each of the Change in Control Agreements provide for a cut-back in the event of any excise tax under Section 280G of the Code, such that the benefits payable to the executive would be reduced to \$1.00 less than the amount that causes the payments to be treated as parachute payments under Section 280G of the Code; provided, however, that no reduction will occur if, on an after-tax basis in each case and taking into account all federal, state and local taxes (including any excise tax), the executive would receive a greater amount if no reduction had occurred, thus providing the best net effect to the executive.

In order to receive the benefits described above, the executive would be required to execute a general release in favor of Farmers and must also (i) comply with covenants prohibiting the solicitation of customers and employees (for a period of 36 months for Mr. Helmick, 24 months for Messrs. Culp and Graham and 12 months for all other executive officers including Mr. Gerzina and Mr. Jackson) (ii) maintain the confidentiality of Farmers' proprietary and confidential information and (iii) comply with non-disparagement provisions.

#### *Executive Separation Policy*

On November 7, 2013, Farmers adopted an Executive Separation Policy, which applies to Farmers' Chief Executive Officer and President, the Executive Vice President Chief Financial Officer, the Executive Vice President Chief Credit Officer, and such other persons as may be designated annually by the Board of Directors (collectively, the Covered Executives). As such, each of Messrs. Helmick, Culp, Graham, Gerzina and Jackson is a Covered Executive and a participant in the Executive Separation Policy.

In the event that a Covered Executive's employment is terminated by Farmers for Cause or by the Covered Executive without Good Reason (each as defined in the Executive Separation Policy), then the Covered Executive would be entitled to receive (i) all earned but unpaid compensation benefits for time worked through the date of termination; and (ii) such other rights and benefits, if any, as may be provided under other plans and programs of Farmers (collectively, the Accrued Obligations).

If the Covered Executives employment is terminated by Farmers without Cause or by the Covered Executive with Good Reason, then, in addition to the Accrued Obligations, the Covered Executive would be eligible to receive (i) a lump sum equal to 36-months' salary for Messrs. Helmick, Culp and Graham, or 12-months' salary for Mr. Gerzina and Mr. Jackson; (ii) a pro rata incentive bonus in a lump sum equal to the bonus the Covered Executive would have earned (assuming performance at the target level); (iii) a lump sum amount equal to the monthly COBRA premium payable by the Covered Executive to continue to receive health benefits at a level similar to which the Covered Executive and his or her spouse and dependents were receiving multiplied by 36 (for Messrs. Helmick, Culp and Graham) or 12 (for Mr. Gerzina and Mr. Jackson); and (iv) a lump sum payment in an amount not to exceed \$10,000 (for Mr. Helmick) or \$7,500 (for Messrs. Culp, Graham, Gerzina and Jackson) for reasonable outplacement services for up to one year by a firm selected by Farmers.

In order to receive any payments pursuant to the Executive Separation Policy (other than the Accrued Obligations), the Covered Executive would be required to execute a general release in favor of Farmers and must

also (i) comply with a non-competition covenant for 12 months; (ii) comply with covenants prohibiting the solicitation of customers and employees for a period of time equal to 24 months (for Messrs. Helmick, Culp and Graham) or 12 months (for Mr. Gerzina and Mr. Jackson); (iii) maintain the confidentiality of Farmers' proprietary and confidential information and (iv) comply with non-disparagement provisions. Failure to abide by these conditions requires the Covered Executive to return to Farmers, within 10 days after request by Farmers, any amounts Farmers has paid to the Covered Executive under the Executive Separation Policy (other than the Accrued Obligations).

In the event that a Covered Executive is terminated under circumstances that would entitle him or her to payment under a Change in Control Agreement, then the terms of the Change in Control Agreement will be controlling and the Covered Executive would not be entitled to benefits under the Executive Separation Policy.

**Potential Payments Upon Termination or Change in Control**

The table below sets forth a summary of the potential amounts payable to each named executive officer, under various termination scenarios, including those provided pursuant to the terms of the Executive Separation Policy and Change in Control Agreements described in the section titled **EXECUTIVE COMPENSATION AND OTHER INFORMATION Employment Agreements; Executive Separation Policy** beginning on page 34 of this proxy statement. The figures in the table assume termination occurring on December 31, 2013. Because Mr. Gulas employment with the Company ended effective November 4, 2013, a termination analysis for him is not provided.

**Severance Benefit at December 31, 2013**

Name	Termination Without	Termination for	Voluntary
	Good Reason or Termination for Cause <sup>(1)</sup>	Good Reason or Termination Without Cause <sup>(2)</sup>	Termination as a Result of a Change in Control <sup>(3)</sup>
Kevin J. Helmick	\$ 0	\$ 890,295	\$ 1,098,813
Carl D. Culp	\$ 0	\$ 615,436	\$ 646,237
Mark L. Graham	\$ 0	\$ 576,928	\$ 623,197
Joseph A. Gerzina	\$ 0	\$ 215,140	\$ 243,206
Brian E. Jackson	\$ 0	\$ 196,946	\$ 222,359

(1) The terms of Farmers' Executive Separation Policy provide the executives the following benefits as a result of a voluntary termination without Good Reason or an involuntary termination by Farmers Bank for Cause: (a) all earned but unpaid compensation for time worked through the Termination Date, to be paid on the Payment Date (as each term defined in the Executive Separation Policy); and (b) any rights and benefits, if any, provided under plans and programs of the Company, determined in accordance with the applicable terms and provisions of such plans and programs, including, without limitation, earned by unused vacation. The Executive Separation Policy defines Good Reason to mean the occurrence of any of the following: (a) a reduction in a Covered Executive's annual base salary rate, unless such reduction generally applies to other Covered Executives regardless of the reason(s) therefore; (b) a substantial diminution in a Covered Executive's duties, authorities or responsibilities; or (3) the relocation of a Covered Executive's principal place of employment with the Company that meets certain conditions in the Executive Separation Policy. The Executive Separation Policy defines Cause to mean (a) the willful or negligent failure by the Covered Executive to substantially perform his or her duties with the Company and, after written notification by the Company to the Covered Executive, the continued failure of the Covered Executive to substantially perform such duties; (b) the willful or negligent engagement by the Covered Executive in conduct which is demonstrably and materially injurious to the Company, financially or otherwise; (c) action or inaction by the Covered Executive that constitutes a breach of fiduciary duty with respect to the Company or any of its subsidiaries; (d) the violation of any material written policy, rule or regulation of the Company; or (e) the Covered Executive's material breach of any agreement in respect of confidentiality with the Company, whether or not entered into after the effective date of the Executive Separation Policy.

- (2) The Executive Separation Policy general provides the Covered Executives the following benefits as a result of a termination by the Company Without Cause or for Good Reason : (a) the Accrued Obligations, (b) a lump sum equal to 36-months salary for Messrs. Helmick, Culp and Graham, or 12-months salary for Mr. Gerzina and Mr. Jackson; (c) a pro rata incentive bonus in a lump sum equal to the bonus the Covered Executive would have earned (assuming performance at the target level); (d) a lump sum amount equal to the monthly COBRA premium payable by the Covered Executive to continue to receive health benefits at a level similar to which the Covered Executive and his or her spouse and dependents were receiving multiplied by 36 (for Messrs. Helmick, Culp and Graham) or 12 (for Mr. Gerzina and Mr. Jackson); and (e) a lump sum payment in an amount not to exceed \$10,000 (for Mr. Helmick) or \$7,500 (for Messrs. Culp, Graham, Gerzina and Jackson) for reasonable outplacement services for up to one year by a firm selected by Farmers. Without Cause is defined as a termination (a) by the Company other than for Cause, or (b) because of the Covered Executive's disability, but only if the Covered Executive is not receiving long-term disability benefits under the Company's long-term disability plan. But because termination is assumed for purposes of the table to have occurred on December 31, 2013, there would be no partial-year annual incentive benefit payable to the executives. Instead, the annual incentive benefit payable to the executives had their employment terminated on December 31, 2013 is the annual incentive benefit included in the **Summary Compensation Table**. The table also assumes that the executives would receive no benefit for unused paid time off, as unused paid time off cannot be carried over from one year to the next.
- (3) The Change in Control Agreements provide for the following payments if the executive officer's employment is terminated by the Company other than for Cause, or by the executive for Good Reason (as each defined in the Change in Control Agreements: (a) a payment in an amount equal to the executive's annual base salary multiplied by three (for Mr. Helmick), two and one-half (for Messrs. Culp and Graham) or one (for all other executive officers including Mr. Gerzina and Mr. Jackson); (b) a lump sum amount equal to the average of the annual incentive bonus paid to the executive in the three years preceding termination multiplied by three (for Mr. Helmick), two and one-half (for Messrs. Culp and Graham) or one (for all other executive officers including Mr. Gerzina and Mr. Jackson); (c) a pro rata incentive bonus of the year of termination (assuming performance had been attained at the target level); (d) a lump sum payment in an amount equal to the monthly COBRA premium payable by the executive to continue to receive health benefits at a level similar to which the executive and his spouse and dependents were participating multiplied by 36 (for Mr. Helmick), 30 (for Messrs. Culp and Graham) or 12 (for all other executive officers including Mr. Gerzina and Mr. Jackson); and (e) a lump sum of \$20,000 for outplacement services (for Messrs. Helmick, Culp and Graham).

#### Director Compensation

The following table sets forth compensation information on each of Farmers' non-employee directors. Directors who are employees of Farmers do not receive additional compensation for services as a director.

Name	Fees Earned or Paid in Cash (\$)	Total (\$)
Gregory C. Bestic	\$ 33,500	\$ 33,500
Lance J. Cirolì	\$ 46,750	\$ 46,750
Anne Fredrick Crawford	\$ 33,500	\$ 33,500
Ralph D. Macali	\$ 33,500	\$ 33,500
David Z. Paull	\$ 36,750	\$ 36,750
Earl R. Scott	\$ 39,500	\$ 39,500
Gregg Strollo	\$ 33,500	\$ 33,500
Ronald V. Wertz	\$ 36,750	\$ 36,750

**PROPOSAL TWO ADVISORY VOTE ON EXECUTIVE COMPENSATION**

As required by Section 14A of the Exchange Act, Farmers is providing shareholders with the right to vote to approve, on an advisory (nonbinding) basis, the following resolution relative to the compensation of the Company's named executive officers:

***RESOLVED, that the shareholders approve the compensation of Farmers' named executive officers, as disclosed pursuant to the compensation disclosure rules of the Commission, including the compensation discussion and analysis, compensation tables and any related material disclosed in this proxy statement.***

As described in the **Compensation Discussion and Analysis** section of this proxy statement, the Board of Directors believes that Farmers' compensation policies and procedures are aligned with Farmers' short-term goals and long-term success. The Board of Directors believes that its improved pay-for-performance philosophy and objectively-driven incentive-based compensation opportunities are designed to both be competitive with opportunities offered by similarly situated financial institutions and to attract, retain and motivate the key executives directly responsible for our continued success.

Please read the **Compensation Discussion and Analysis** and **Compensation Tables** sections of this proxy statement, including the related narrative, for additional details about our executive compensation philosophy and programs, including information about the fiscal year 2013 compensation of the Company's named executive officers.

**Vote Required and Board of Directors' Recommendation**

This Proposal Two to approve the resolution regarding the compensation of Farmers' named executive officers requires the affirmative vote of the holders of a majority of the Common Shares present, represented and entitled to vote at the Annual Meeting. Accordingly, broker non-votes will not be relevant to the outcome. Abstentions will be counted as present and entitled to vote for purposes of Proposal Two and, thus, will have the same effect as a vote against Proposal Two. Because this vote is advisory, it will not be binding on Farmers or the Board of Directors; however, the Board and the Compensation Committee will review the voting results and will take into account the outcome of the vote when considering future executive compensation arrangements.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF  
THE ADVISORY VOTE ON EXECUTIVE COMPENSATION.**

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**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

Management is responsible for Farmers' internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of Farmers' consolidated financial statements in accordance with auditing standards generally accepted in the United States and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes, and the Committee Chair, as representative of the Committee, discusses the interim financial information contained in quarterly earnings announcements with both management and the independent registered public accounting firm prior to public release. The Audit Committee also recommends to the Board of Directors the selection of Farmers' independent registered public accounting firm and must pre-approve all services provided.

NASDAQ rules require each member of the Audit Committee to be able to read and understand financial statements. The Company believes that each member of the Audit Committee as constituted satisfies this requirement. Members of the Audit Committee rely without independent verification on the information provided to them and on the representations made by management and the independent registered public accounting firm, although each member of the Audit Committee has the authority to engage and determine funding for independent advisors as deemed necessary. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of Farmers' financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that the Company's independent registered public accounting firm is in fact independent.

In this context, the Audit Committee met and held discussions with Farmers' management, who represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. The Audit Committee reviewed and discussed the consolidated financial statements with both management and Farmers' independent registered public accounting firm for the year ended December 31, 2013, Crowe Horwath LLP (Crowe Horwath). The Audit Committee also discussed with Crowe Horwath matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended by SAS No. 90 (Audit Committee Communications). Crowe Horwath provided to the Audit Committee written disclosures pursuant to Rule 3526 of the Public Company Oversight Board (Communications with Audit Committees Concerning Independence). The Audit Committee has discussed with Crowe Horwath any relationships with or services to Farmers or its subsidiaries that may impact the objectivity and independence of Crowe Horwath, and the Audit Committee has satisfied itself as to Crowe Horwath's independence.

Based upon the Audit Committee's discussion with management and Crowe Horwath, and the Committee's review of the representation of management and the report of Crowe Horwath to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements for the year ended December 31, 2013 be included in Farmers' Annual Report on Form 10-K filed with the Commission. The Audit Committee also recommended that Crowe Horwath be retained as the Company's independent registered public accounting firm for the 2014 fiscal year.

The Audit Committee:

Earl R. Scott, Chair

Gregory C. Bestic

Ralph D. Macali

David Z. Paull



**PROPOSAL THREE RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected Crowe Horwath to act as the independent registered public accounting firm to examine Farmers' books, records and accounts and those of its subsidiaries for the fiscal year ending December 31, 2014. This appointment is being presented to shareholders for ratification or rejection at the Annual Meeting.

Crowe Horwath was Farmers' independent registered public accounting firm for the fiscal year ended December 31, 2013, and is considered by the Audit Committee and the Board of Directors to be well qualified. By NASDAQ and Commission rules and regulations, selection of Farmers' independent registered public accounting firm is the direct responsibility of the Audit Committee. The Board of Directors has determined, however, to seek shareholder ratification of this selection as both a good corporate practice and to provide shareholders an avenue to express their views on this important matter.

The proposal to ratify the appointment of Farmers' independent registered public accounting firm requires the affirmative vote of the holders of a majority of the Common Shares present, represented and entitled to vote at the Annual Meeting. Shareholders may vote **FOR**, **AGAINST** or **ABSTAIN** from voting on Proposal Three. Broker non-votes will not be counted for the purpose of determining whether Proposal Three has been approved. Abstentions will be counted as present and entitled to vote for purposes of Proposal Five and thus, will have the same effect as a vote against Proposal Three. If shareholders fail to ratify the appointment, the Audit Committee will seek to understand the reasons for such failure and will take those views into account in this and future appointments of Farmers' independent registered public accounting firm. Even if the current selection is ratified by shareholders, the Audit Committee reserves the right to terminate the engagement of Crowe Horwath and appoint a different independent accounting firm at any time during the year if the Audit Committee determines that such change would be in the best interests of the Company and its shareholders.

Representatives of Crowe Horwath will be present at the Annual Meeting to make a statement if they desire to do so and will be available to respond to appropriate questions.

**THE AUDIT COMMITTEE AND THE BOARD OF DIRECTORS EACH RECOMMEND A VOTE FOR RATIFICATION OF THE  
SELECTION OF CROWE HORWATH LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE  
COMPANY FOR THE CURRENT YEAR.**

**Independent Registered Public Accounting Firm Fees**

Fees for professional services rendered by Crowe Horwath for fiscal 2013 and 2012 were as follows:

	2013	2012
Audit Fees	\$ 267,400	\$ 245,000
Audit-Related Fees	\$ 3,500	\$ 8,625
Tax Fees	\$ 29,700	\$ 19,500
All Other Fees	\$ 0	\$ 0

*Audit Fees* consist of fees billed in the last two fiscal years for the audit of Farmers' annual financial statements, the review of financial statements included in the Company's quarterly reports on Form 10-Q, statutory and subsidiary audits and services provided in connection with regulatory filings during those two years.

*Audit-Related Fees* consist of fees billed in the last two fiscal years for accounting consultations and assurance services reasonably related to the audit and review of Farmers' financial statements. The fees billed in 2013 and 2012 include services related to providing required consents.

*Tax Fees* represent fees for professional services for tax compliance, tax advice and tax planning.

The Audit Committee has considered whether the provision of non-audit services is compatible with maintaining the independence of Crowe Horwath and has concluded that it is.

**Pre-Approval of Fees**

Under applicable Commission rules, the Audit Committee pre-approves the audit and non-audit services performed by the independent registered public accounting firm to assure that the provision of the services does not impair the firm's independence. Unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, it requires specific pre-approval by the Committee. In addition, any proposed services exceeding pre-approved cost levels require specific Audit Committee pre-approval. The Audit Committee also reviews, generally on a quarterly basis, reports summarizing the services provided by the independent registered public accounting firm. All of the services related to *Audit-Related Fees* or *All Other Fees* described above were pre-approved by the Audit Committee. The Audit Committee's pre-approval policy is contained in the Audit Committee Charter, a current copy of which is available at [www.farmersbankgroup.com](http://www.farmersbankgroup.com).

**INCORPORATION BY REFERENCE**

The Audit Committee Report and the Compensation Committee Report in this proxy statement are not deemed filed with the Commission and shall not be deemed incorporated by reference into any prior or future filings made by Farmers under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates such information by reference.

Carl D. Culp

Executive Vice President, Treasurer and Secretary

Canfield, Ohio

March 19, 2014

**FARMERS NATIONAL BANC CORP.**

**20 SOUTH BROAD STREET**

**P.O. BOX 555**

**CANFIELD, OH 44406**

**Investor Address Line 1**

**Investor Address Line 2**

**Investor Address Line 3**

**Investor Address Line 4**

**Investor Address Line 5**

**John Sample**

**1234 ANYWHERE STREET**

**ANY CITY, ON A1A 1A1**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

NAME	CONTROL #	
THE COMPANY NAME INC. - COMMON	SHARES	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS A		123,456,789,012.12345
THE COMPANY NAME INC. - CLASS B		123,456,789,012.12345
THE COMPANY NAME INC. - CLASS C		123,456,789,012.12345
THE COMPANY NAME INC. - CLASS D		123,456,789,012.12345

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THE COMPANY NAME INC. - CLASS E	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS F	123,456,789,012.12345
THE COMPANY NAME INC. - 401 K	123,456,789,012.12345

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS  
FOLLOWS:    x

PAGE    1    OF    2

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

**For All**   **Withhold All**   **For All Except**

The Board of Directors recommends you vote

FOR the following proposal:

1. Election of Directors Nominees
- 01 Gregory C. Bestic      02 Kevin J. Helmick      03 Terry A. Moore

The Board of Directors recommends you vote FOR the following proposals:

**For**   **Against**   **Abstain**

2. To approve, on an advisory basis, the compensation of the Company's named executive officers.      ..      ..      ..
3. To ratify the appointment of Crowe Horwath LLP as Farmers' independent registered public accounting firm for the fiscal year ending December 31, 2014.      ..      ..      ..

**NOTE:** To transact such other business as may properly come before the meeting or any adjournments thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Investor Address Line 1

Investor Address Line 2

Investor Address Line 3

Investor Address Line 4

Investor Address Line 5

John Sample

1234 ANYWHERE STREET

ANY CITY, ON A1A 1A1

SHARES

CUSIP #

SEQUENCE #

**JOB #**

Signature [PLEASE SIGN  
WITHIN BOX]

Date

Signature (Joint Owners)

Date

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, 2013 Annual Report to Shareholders with Form 10-K is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**FARMERS NATIONAL BANC CORP.**

**ANNUAL MEETING OF SHAREHOLDERS**

**April 24, 2014**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Carl D. Culp, Mark L. Graham and Amber Wallace Soukenik, and each of them, proxies with full power of substitution to vote on behalf of the shareholders of Farmers National Banc Corp. on Thursday, April 24, 2014, at 3:30 p.m. Eastern Time, and any adjournment(s) and postponement(s) thereof with all powers that the undersigned would possess personally present with respect to the proposal(s) set forth on the reverse side hereof.

**IF THIS PROXY IS SIGNED AND RETURNED AND DOES NOT SPECIFY A VOTE ON ANY PROPOSAL, THE PROXY WILL BE VOTED FOR THE ELECTION OF EACH OF THE DIRECTOR NOMINEES, FOR THE APPROVAL OF PROPOSALS TWO AND THREE. THE PROXIES MAY VOTE IN THEIR DISCRETION AS TO OTHER MATTERS THAT PROPERLY COME BEFORE THE MEETING.**

**THE UNDERSIGNED ACKNOWLEDGES RECEIPT FROM FARMERS NATIONAL BANC CORP. PRIOR TO THE EXECUTION OF THIS PROXY OF THE NOTICE OF MEETING AND A PROXY STATEMENT.**

**Continued and to be signed on reverse side**