

FARMERS NATIONAL BANC CORP /OH/  
Form 424B3  
May 11, 2015  
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Registration No. 333-202822

**Proxy Statement and Prospectus of**

**Farmers National Banc Corp.**

**Proxy Statement of**

**National Bancshares Corporation**

**MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

Farmers National Banc Corp. ( Farmers ) and National Bancshares Corporation ( NBOH ), have entered into an Agreement and Plan of Merger dated as of January 27, 2015 (the Merger Agreement ), which provides for the merger of NBOH with and into Farmers (the Merger ). Consummation of the Merger is subject to certain conditions, including, but not limited to, obtaining the requisite vote of the shareholders of Farmers and NBOH and the approval of the Merger by various regulatory agencies.

Under the terms of the Merger Agreement, shareholders of NBOH will be entitled to receive from Farmers, after the Merger is completed, merger consideration payable in the form of a combination of cash and Farmers common shares to be calculated as set forth in the Merger Agreement. At the effective time of the Merger, each NBOH common share will be converted into the right to receive either: (i) 4.034 Farmers common shares, or (ii) \$32.15 in cash, subject to certain allocation procedures set forth in the Merger Agreement that are intended to ensure that 80% of the outstanding NBOH common shares are converted into the right to receive Farmers common shares and the remaining outstanding NBOH common shares are converted into the right to receive cash. The aggregate Merger consideration to be paid to NBOH shareholders under the Merger Agreement is approximately \$74.0 million, based on the volume weighted average stock price of \$7.97 of Farmers as of January 26, 2015 and including the cash payment for outstanding NBOH stock options. See *SUMMARY What NBOH shareholders will receive in the Merger.*

Farmers will not issue any fractional common shares in connection with the Merger. Instead, each holder of NBOH common shares who would otherwise be entitled to receive a fraction of a Farmers common share (after taking into account all NBOH common shares owned by such holder at the effective time of the Merger) will receive cash, without interest, in an amount equal to the Farmers fractional common share to which such holder would otherwise be entitled to multiplied by the volume-weighted average, rounded to the nearest one tenth of a cent, of the closing sale prices of Farmers common shares based on information reported by NASDAQ Stock Market (the Nasdaq ) for the five (5) trading days immediately preceding the effective time.

Farmers and NBOH will each hold a special meeting of its shareholders to vote on the adoption and approval of the Merger Agreement. The special meeting of Farmers shareholders will be held at: 10:00 a.m., local time, on June 12, 2015, at Farmers main office at 20 South Broad Street, Canfield, Ohio 44406. The special meeting of NBOH s shareholders will be held at: 10:00 a.m., local time, on June 12, 2015, at the Operations Center of the First National Bank of Orrville at 1444 N. Main Street, Orrville, Ohio 44667.

At each special meeting, shareholders will be asked to approve and adopt the Merger Agreement, and the transactions contemplated thereby, including the Merger. Shareholders will also be asked to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the Merger Agreement and the transactions contemplated thereby, including the Merger.

This document is a proxy statement of both Farmers and NBOH, that each is using to solicit proxies for use at their respective special meetings of shareholders to vote on the Merger. It is also a prospectus relating to Farmers' issuance of its common shares in connection with the Merger. This joint proxy statement/prospectus describes Farmers' special meeting, NBOH's special meeting, the Merger proposal and other related matters.

**The boards of directors of Farmers and NBOH each approved the Merger Agreement and the transactions contemplated thereby, including the Merger, and recommend that shareholders vote FOR the adoption and approval of the Merger Agreement, and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to adopt and approve the Merger Agreement.**

Farmers' common shares are traded on the Nasdaq under the symbol FMNB. On January 26, 2015, the day prior to the date of execution of the Merger Agreement, the closing price of Farmers' common shares was \$7.50 per share. On May 7, 2015, the closing price of Farmers' common shares was \$8.15 per share. NBOH's common shares are traded on the OTCQX marketplace under the symbol NBOH. On January 26, 2015, the day prior to the date of execution of the Merger Agreement, the closing price of NBOH's common shares was \$23.00. On May 7, 2015, the closing price of NBOH's common shares was \$32.20.

**You are encouraged to read this document, including the materials incorporated by reference into this document, carefully. In particular, you should read the Risk Factors section beginning on page 32 for a discussion of the risks related to the Merger and owning Farmers common shares after the Merger.**

Whether or not you plan to attend your company's special meeting, you are urged to vote by completing, signing and returning the enclosed proxy card in the enclosed postage-paid envelope.

If you are an NBOH shareholder as of May 8, 2015, the record date, and you do not vote your shares in favor of the adoption and approval of the Merger Agreement, under the Ohio General Corporation Law (OGCL), you will have the right to demand the fair cash value for your NBOH common shares. To exercise your dissenters' rights, you must adhere to the specific requirements of the OGCL; see *DISSENTERS' RIGHTS* on page 45 of this joint proxy statement/prospectus and the complete text of the applicable sections of the OGCL attached to this joint proxy statement/prospectus as Annex A. No holder of Farmers common shares is entitled to exercise any rights of a dissenting shareholder under the OGCL.

Not voting by proxy or at the special meeting will have the same effect as voting against the adoption and approval of the Merger Agreement. We urge you to read carefully this joint proxy statement/prospectus, which contains a detailed description of your company's special meeting, the Merger proposal, Farmers' common shares to be issued in the Merger and other related matters.

Sincerely,  
Kevin J. Helmick  
President and Chief Executive Officer  
Farmers National Banc Corp.

Sincerely,  
Mark R. Witmer  
President and Chief Executive Officer  
National Bancshares Corporation

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of Farmers common shares to be issued in the Merger or determined if this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The securities to be issued in connection with the Merger described in this joint proxy statement/prospectus are not savings accounts, deposit accounts or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other federal or state governmental agency.**

**This joint proxy statement/prospectus is dated May 11, 2015, and it  
is first being mailed to Farmers and NBOH shareholders on or about May 13, 2015.**

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**NATIONAL BANCSHARES CORPORATION**

**112 West Market Street**

**Orrville, Ohio 44667**

**Notice of Special Meeting of Shareholders**

**To be held on June 12, 2015**

To the Shareholders of National Bancshares Corporation:

Notice is hereby given that a special meeting of the shareholders of National Bancshares Corporation ( NBOH ) will be held at 10:00 a.m., local time, on June 12, 2015, at the Operations Center of the First National Bank of Orrville at 1444 N. Main Street, Orrville, Ohio 44667, for the purpose of considering and voting on the following matters:

1. A proposal to adopt and approve the Agreement and Plan of Merger dated as of January 27, 2015, by and between Farmers National Banc Corp. and NBOH;
2. A proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to adopt and approve the Agreement and Plan of Merger; and
3. Any other business which properly comes before the special meeting or any adjournment or postponement of the special meeting. The board of directors of NBOH is unaware of any other business to be transacted at the special meeting.

Holders of record of NBOH common shares at the close of business on May 8, 2015, the record date, are entitled to notice of and to vote at the special meeting and any adjournment or postponement of the special meeting. The affirmative vote of the holders of at least two-thirds of NBOH's common shares is required to adopt and approve the Agreement and Plan of Merger.

A joint proxy statement/prospectus and proxy card for the special meeting are enclosed. A copy of the Agreement and Plan of Merger is attached as Annex B to the joint proxy statement/prospectus.

**Your vote is very important, regardless of the number of NBOH common shares you own. Please vote as soon as possible to make sure that your common shares are represented at the special meeting. If you are a holder of record, you may cast your vote in person at the special meeting or, to ensure that your NBOH common shares are represented at the special meeting, you may vote your shares by completing, signing and returning the enclosed proxy card. If your shares are held in a stock brokerage account or by a bank or other nominee (in street name ), please follow the voting instructions provided by your broker, bank or nominee.**

**The NBOH board of directors recommends that you vote (1) FOR the adoption and approval of the Agreement and Plan of Merger, and (2) FOR the proposal to adjourn the special meeting, if necessary, to solicit additional proxies.**

By Order of the Board of Directors,

Mark R. Witmer

President and Chief Executive Officer

National Bancshares Corporation

May 11, 2015

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**FARMERS NATIONAL BANC CORP.**

**20 South Broad Street**

**Canfield, Ohio 44406**

**Notice of Special Meeting of Shareholders**

**To be held on June 12, 2015**

To the Shareholders of Farmers National Banc Corp.:

Notice is hereby given that a special meeting of the shareholders of Farmers National Banc Corp. ( Farmers ) will be held at 10:00 a.m., local time, on June 12, 2015, at Farmers main office at 20 South Broad Street, Canfield, Ohio 44406, for the purpose of considering and voting on the following matters:

1. A proposal to adopt and approve the Agreement and Plan of Merger dated as of January 27, 2015, by and between Farmers and National Bancshares Corporation;
2. A proposal to approve the issuance of up to 7,668,359 Farmers common shares to be issued in connection with the Merger;
3. A proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to adopt and approve the Agreement and Plan of Merger; and
4. Any other business which properly comes before the special meeting or any adjournment or postponement of the special meeting. The board of directors of Farmers National Banc Corp. is unaware of any other business to be transacted at the special meeting.

Holders of record of Farmers common shares at the close of business on May 8, 2015, the record date, are entitled to notice of and to vote at the special meeting and any adjournment or postponement of the special meeting. The affirmative vote of the holders of at least two-thirds of the Farmers common shares outstanding and entitled to vote is required to adopt and approve the Agreement and Plan of Merger.

A joint proxy statement/prospectus and proxy card for the special meeting are enclosed. A copy of the Agreement and Plan of Merger is attached as Annex A to the joint proxy statement/prospectus.

**Your vote is very important, regardless of the number of Farmers common shares you own. Please vote as soon as possible to make sure that your common shares are represented at the special meeting. If you are a holder of record, you may cast your vote in person at the special meeting or, to ensure that your Farmers common shares are represented at the special meeting, you may vote your shares by completing, signing and returning the enclosed proxy card. If your shares are held in a stock brokerage account or by a bank or other nominee (in street name ), please follow the voting instructions provided by your broker, bank or nominee.**

**The Farmers National Banc Corp. board of directors unanimously recommends that you vote (1) FOR the adoption and approval of the Agreement and Plan of Merger, (2) FOR the proposal to approve the issuance of common shares and (3) FOR the proposal to adjourn the special meeting, if necessary, to solicit additional proxies.**

By Order of the Board of Directors,

Kevin J. Helmick

President and Chief Executive Officer

Farmers National Banc Corp.

May 11, 2015

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**WHERE YOU CAN FIND MORE INFORMATION**

Farmers is a publicly traded company that files annual, quarterly and other reports, proxy statements and other business and financial information with the Securities and Exchange Commission (the "SEC"). You may read or obtain copies of these documents by mail from the public reference room of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 for further information on the public reference room. Farmers also files reports and other information with the SEC electronically, and the SEC maintains a web site located at [www.sec.gov](http://www.sec.gov) containing this information. Certain information filed by Farmers with the SEC is also available, without charge, through Farmers' website at [www.farmersbankgroup.com](http://www.farmersbankgroup.com) under the "Investor Relations" section, and NBOH's website at [www.discoverfirstnational.com](http://www.discoverfirstnational.com) under the "Investor Information" section.

Farmers has filed with the SEC a registration statement on Form S-4 to register its common shares to be issued to NBOH shareholders as part of the merger consideration. This document is a part of that registration statement. As permitted by SEC rules, this document does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and request a copy of the registration statement, including any amendments, schedules and exhibits at the addresses set forth below. Statements contained in this document as to the contents of any contract or other documents referred to in this document are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the registration statement. This joint proxy statement/prospectus incorporates by reference important business and financial information about Farmers from documents filed with or furnished to the SEC, that are not included in or delivered with this joint proxy statement/prospectus. See *INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE* on page 116. These documents are available, without charge, to you upon written or oral request at the applicable company's address and telephone number listed below:

Farmers National Banc Corp.

20 South Broad Street

Canfield, Ohio 44406

Attention: Investor Relations

(330) 533-3341

National Bancshares Corporation

112 West Market Street

Orrville, Ohio 44667

Attention: Shareholder Relations

(330) 765-0609

**To obtain timely delivery of these documents, you must request the information no later than June 5, 2015, in order to receive them before the Farmers special meeting and no later than June 5, 2015, in order to receive them before the NBOH special meeting.**

Farmers' common shares are traded on the Nasdaq under the symbol "FMNB". NBOH's common shares are traded on the OTCQX marketplace under the symbol "NBOH".

Neither Farmers nor NBOH has authorized anyone to provide you with any information other than the information included in this document and documents which are incorporated by reference. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this document and the documents incorporated by reference are accurate only as of their respective dates. Each of Farmers and NBOH's business, financial condition, results of operations and prospects may have changed since those dates.



**RECENT DEVELOPMENTS**

**Unaudited Interim Financial Results of Farmers**

On April 22, 2015, Farmers issued a press release reporting its unaudited financial results for the three months ended March 31, 2015. The following summarizes certain components of those reported results in a manner consistent with Farmers' press release.

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Farmers' net income for the three months ended March 31, 2015 was \$2.2 million, or \$0.12 per diluted share, which compared to \$2.2 million, or \$0.12 per diluted share for the first quarter ended March 31, 2014. In comparing the first quarter's results to the most recent previous quarter, Farmers' net income of \$2.2 million increased 3% compared to \$2.1 million for the quarter ended December 31, 2014.

Farmers' net interest margin for the quarter ended March 31, 2015 was 3.64%, an 8 basis point increase from the quarter ended March 31, 2014. In comparing the first quarter of 2015 to the same quarter in 2014, asset yields decreased 1 basis point, while the cost of interest-bearing liabilities decreased 7 basis points. Net interest income was \$8.99 million for the quarter ended March 31, 2015, compared to \$8.86 million for the quarter ended March 31, 2014.

Farmers' noninterest income increased 17.6% to \$4.0 million for the quarter ended March 31, 2015 compared to \$3.4 million in 2014. Trust fees increased \$150 thousand or 10%, and retirement plan consulting fees also increased \$140 thousand or 38.5%, in the current year's quarter compared to the same quarter in 2014. Investment commissions also increased \$104 thousand or 54% in comparing the same two quarters.

Farmers' total loans were \$673.8 million at March 31, 2015, compared to \$626.2 million at March 31, 2014. This represented an increase of 7.6%. Loans comprised 62.5% of the average earning assets in 2015, an improvement compared to 58.2% in 2014.

Farmers reported the ratio of non-performing assets to total assets of 0.71%, compared to 0.76% for both the previous quarter and at March 31, 2014. Early stage delinquencies also remained at low levels, at \$4.3 million or 0.64% of total loans at March 31, 2015. The allowance to non-performing loans ratio improved from 86.97% at March 31, 2014 to 97.28% at March 31, 2015. Total assets were \$1.13 billion at March 31, 2015, compared to \$1.14 billion at December 31, 2014 and March 31, 2014.

## **Unaudited Interim Financial Results of NBOH**

On April 17, 2015, NBOH issued a press release reporting its unaudited financial results for the three months ended March 31, 2015. The following summarizes certain components of those reported results in a manner consistent with NBOH's press release.

NBOH reported net income of \$1.5 million for the quarter ended March 31, 2015, an increase from \$1.24 million for the same period in 2014. Basic earnings per share were \$0.67 for the three months ended March 31, 2015, compared to \$0.56 for the same period in 2014. Diluted earnings per share were \$0.66 for the first quarter of 2015, compared to \$0.55 for the same period in 2014.

NBOH's net interest income for the quarter was \$4.55 million, an increase of approximately 14% from \$3.99 million for the same period in 2014. The net interest margin, on a tax-equivalent basis, improved to 3.69% for the quarter ended March 31, 2015, compared to 3.63% for the same period in 2014.

NBOH's noninterest income for the quarter decreased to \$719 thousand from \$726 thousand for the same period in 2014. Noninterest expense for the quarter was \$3.2 million, an increase of 10.9%, from \$2.9 million for the same period in 2014, primarily due to \$239 thousand in merger-related expenses pertaining to the proposed merger with Farmers.

NBOH's total assets at March 31, 2015 were \$546.0 million compared to \$529.6 million at December 31, 2014. Average total loans for the first quarter of 2015 were \$406.9 million, an increase of 21.2%, from \$335.8 million for the same period in 2014. There was no provision for loan losses for the quarter ended March 31, 2015, compared to

\$148 thousand for the same period in 2014. The allowance for loan losses decreased \$40 thousand to \$4.0 million as of March 31, 2015 compared to December 31, 2014. Net loan charge-offs were \$40 thousand for the quarter ended March 31, 2015 and \$17 thousand for the same period in 2014. Total loan delinquencies, including all loans greater than 30 days past due and nonaccrual loans, were \$2.5 million and \$2.2

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million at March 31, 2015 and December 31, 2014, respectively. Total loan delinquencies to total loans were 0.61% and 0.55% at March 31, 2015 and December 31, 2014, respectively. Total nonperforming loans were \$1.5 million and \$1.1 million at March 31, 2015 and December 31, 2014. Total non-performing loans to total loans were 0.35% and 0.27% at March 31, 2015 and December 31, 2014. Total classified loans were \$5.0 million and \$6.0 million at March 31, 2015 and December 31, 2014.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**AND THE SPECIAL MEETINGS**

*The following are answers to certain questions that you may have regarding the special meetings. You are urged to read carefully the remainder of this document because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the appendices to, and the documents incorporated by reference in, this document.*

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: You are receiving this joint proxy statement/prospectus because Farmers National Banc Corp. ( Farmers ) and National Bancshares Corporation ( NBOH ) have agreed to merge under the terms of an Agreement and Plan of Merger dated as of January 27, 2015 (the Merger Agreement ), attached to this joint proxy statement/prospectus as Annex B. In order to complete the merger of NBOH into Farmers (the Merger ), the shareholders of both companies must vote to approve and adopt the Merger Agreement. Following the Merger, First National Bank, a national banking association and wholly-owned subsidiary of NBOH ( FNB ), will merge with and into The Farmers National Bank of Canfield, a national banking association and wholly-owned subsidiary of Farmers ( Farmers Bank ), with Farmers Bank being the surviving entity.

This joint proxy statement/prospectus contains important information about the Merger and the special meetings of the shareholders of Farmers and NBOH, and you should read it carefully. The enclosed voting materials allow you to vote your company s common shares without attending the special meeting.

**Q: What will NBOH shareholders receive in the Merger?**

A: NBOH shareholders will receive a combination of cash and Farmers common shares in the Merger. At the effective time of the Merger, each NBOH common share will be converted into the right to receive either:

4.034 Farmers common shares, or

\$32.15 in cash, subject to certain allocation procedures set forth in the Merger Agreement that are intended to ensure that 80% of the outstanding NBOH common shares are converted into the right to receive Farmers common shares and the remaining outstanding NBOH common shares are converted into the right to receive cash.

On January 26, 2015, which was the trading date prior to the date of the public announcement of the proposed Merger, the closing price for Farmers common shares was \$7.50, which, after giving effect to the 4.034 exchange ratio, had an implied value of approximately \$30.26 per share of NBOH. Based on this price with respect to the stock consideration, and the cash consideration of \$32.15 per share, upon completion of the Merger, a NBOH shareholder who receives stock for 80% of his or her common shares and receives cash for 20% of his or her common shares would receive total merger consideration with an implied value of approximately \$30.63 per share. As of May 7,



2015, the most reasonably practicable date prior to the mailing of this joint proxy statement/prospectus, the closing price for Farmers common shares was \$8.15, which, after giving effect to the 4.034 exchange ratio, had an implied value of approximately \$32.88 per NBOH common share. Based on this price with respect to the stock consideration, and the cash consideration of \$32.15 per share, upon completion of the Merger, a NBOH shareholder who receives stock for 80% of his or her shares of common stock and receives cash for 20% of his or her common shares would receive total Merger consideration with an implied value of approximately \$32.73 per NBOH share.

Farmers will not issue any fractional common shares in connection with the Merger. Instead, each holder of NBOH common shares who would otherwise be entitled to receive a fraction of a Farmers common share will receive cash, without interest, in lieu of a fractional Farmers common share in an amount determined by reference to the closing sale prices of Farmers common shares on the NASDAQ Stock Market (the Nasdaq ) for the five (5) trading days trading days immediately preceding the effective date of the Merger.

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**Q: Can I make an election to select the form of merger consideration I desire to receive?**

A: You will have the opportunity to elect the form of consideration to be received for your shares, subject to certain adjustment and allocation procedures set forth in the Merger Agreement. These procedures are intended to ensure that 80% of the outstanding NBOH common shares will be converted into the right to receive Farmers common shares and the remaining outstanding NBOH common shares will be converted into the right to receive cash. Therefore, your ability to receive the cash or share elections of your choice will depend on the elections of other NBOH shareholders. The allocation of the mix of consideration payable to NBOH shareholders in the Merger will not be known until Farmers tallies the results of the cash and share elections made by NBOH shareholders, which may not occur until shortly after the closing of the Merger.

It is unlikely that elections will be made in the exact proportions provided for in the Merger Agreement. As a result, the Merger Agreement describes procedures to be followed if NBOH shareholders in the aggregate elect to receive more or less of the Farmers common shares than Farmers has agreed to issue. These procedures are summarized below.

***If Stock Is Oversubscribed:*** If NBOH shareholders elect to receive more Farmers common shares than Farmers has agreed to issue in the Merger, then all NBOH shareholders who have elected to receive cash or who have made no election will receive cash for their NBOH shares and all shareholders who elected to receive Farmers common shares will receive a pro rata portion of the available Farmers shares plus cash for those shares not converted into Farmers common shares.

***If Stock Is Undersubscribed:*** If NBOH shareholders elect to receive fewer Farmers common shares than Farmers has agreed to issue in the Merger, then all NBOH shareholders who have elected to receive Farmers common shares will receive Farmers common shares and those shareholders who elected to receive cash or who have made no election will be treated in the following manner:

If the number of shares held by NBOH shareholders who have made no election is sufficient to make up the shortfall in the number of Farmers common shares that Farmers is required to issue, then all NBOH shareholders who elected cash will receive cash, and those shareholders who made no election will receive both cash and Farmers common shares in such proportion as is necessary to make up the shortfall.

If the number of shares held by NBOH shareholders who have made no election is insufficient to make up the shortfall, then all NBOH shareholders who made no election will receive Farmers common shares and those NBOH shareholders who elected to receive cash will receive cash and Farmers common shares in such proportion as is necessary to make up the shortfall.

**No guarantee can be made that you will receive the amounts of cash and/or stock you elect. As a result of the allocation procedures and other limitations outlined in this document and the Merger Agreement, you may receive Farmers common shares or cash in amounts that vary from the amounts you elect to receive.**

**Q: How do NBOH Shareholders make their election to receive cash, Farmers common shares or a combination of both?**

A: Each NBOH shareholder of record will receive an election form, which you should complete and return, along with your NBOH share certificate(s), according to the instructions printed on the form. The election deadline will be 5:00 p.m., Eastern Time, on June 11 (the election deadline ). A copy of the election form is being mailed under separate cover on or about the date of this joint proxy statement/prospectus.

If you own NBOH common shares in street name through a bank, broker or other nominee and you wish to make an election, you should seek instructions from the bank, broker or other nominee holding your shares concerning how to make an election. If you do not send in the election form with your stock certificate(s) by the election deadline, you will be treated as though you had not made an election.

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**Q: Can I change my election?**

A: You may change your election at any time prior to the election deadline by submitting to Computershare Investor Services written notice accompanied by a properly completed and signed, revised election form. You may revoke your election by submitting written notice to Computershare Investor Services prior to the election deadline or by withdrawing your share certificates prior to the election deadline. NBOH shareholders will not be entitled to change or revoke their elections following the election deadline. If you instructed a bank, broker or other financial institution to submit an election for your shares, you must follow their directions for changing those instructions.

**Q: What happens if I do not make a valid election to receive cash or Farmers common shares?**

A: If you do not return a properly completed election form by the election deadline specified in the election form, your NBOH common shares will be considered non-election shares and will be converted into the right to receive the stock consideration or the cash consideration according to the allocation procedures specified in the Merger Agreement. Generally, in the event one form of consideration (cash or Farmers common shares) is undersubscribed in the Merger, NBOH common shares for which no election has been validly made will be allocated to that form of consideration before shares of electing the oversubscribed form will be switched to it pursuant to the proration and adjustment procedures. Accordingly, while electing one form of consideration will not guarantee you will receive that form for all of your NBOH common, in the event proration is necessary electing shares will have a priority over non-electing shares.

**Q: What are the material U.S. federal income tax consequences of the Merger to NBOH shareholders?**

A: The closing of the Merger is conditioned upon the receipt by each of Farmers and NBOH of a legal opinion that the Merger will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code. However, the federal tax consequences of the Merger to an NBOH shareholder will depend primarily on whether a shareholder exchanges the shareholder's NBOH common shares solely for Farmers common shares, solely for cash or for a combination of Farmers common shares and cash. NBOH shareholders who exchange their shares solely for Farmers common shares should not recognize a gain or loss except with respect to cash received in lieu of a fractional Farmers common share. NBOH shareholders who exchange their shares solely for cash should recognize a gain or loss on the exchange. NBOH shareholders who exchange their shares for a combination of Farmers common shares and cash may recognize a gain, but not any loss, on the exchange. The actual U.S. federal income tax consequences to NBOH shareholders of electing to receive cash, Farmers common shares or a combination of cash and stock will not be ascertainable at the time NBOH shareholders make their election because it will not be known at that time how, or to what extent, the allocation and proration procedures will apply.

For a more detailed discussion of the material U.S. federal income tax consequences of the Merger, please see the section "The Merger - Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 66.

**The consequences of the Merger to any particular NBOH shareholder will depend on that shareholder's particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine the tax consequences of the Merger to you.**

**Q: Does NBOH anticipate paying any dividends prior to the effective date of the Merger?**

A: Yes. Under the terms of the Merger Agreement, NBOH is permitted to pay to its shareholders its usual and customary cash dividend of no greater than \$0.10 per share per quarter, with a dividend of such amount paid immediately prior to the effective date prorated for the portion of the quarter in which the effective date occurs. Subject to compliance with applicable law, NBOH plans to pay such a dividend.

**Q: When and where will the Farmers and NBOH special meetings of shareholders take place?**

A: The special meeting of Farmers shareholders will be held at: 10:00 a.m., local time, on June 12, 2015, at Farmers main office at 20 South Broad Street, Canfield, Ohio 44406. The special meeting of shareholders

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of NBOH will be held at 10:00 a.m., local time, on June 12, 2015, at the Operations Center of the First National Bank of Orrville at 1444 N. Main Street, Orrville, Ohio 44667.

**Q: What matters will be considered at the Farmers and NBOH special meetings?**

A: The shareholders of Farmers will be asked to (1) vote to adopt and approve the Merger Agreement; (2) vote to approve the issuance of up to 7,668,359 Farmers common shares to be issued in connection with the Merger, (3) vote to approve the adjournment of the special meeting to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt and approve the Merger Agreement; and (4) vote on any other business which properly comes before the special meeting.

The shareholders of NBOH will be asked to (1) vote to adopt and approve the Merger Agreement; (2) vote to approve the adjournment of the special meeting to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt and approve the Merger Agreement; and (3) vote on any other business which properly comes before the special meeting.

**Q: What do the Boards of Directors of Farmers and NBOH recommend with respect to the matters to be considered at the special meetings?**

Farmers' board of directors has determined that the Merger Agreement is in the best interests of Farmers and its shareholders and recommends that Farmers shareholders vote FOR the proposal to adopt and approve the Merger Agreement, FOR the proposal to issue up to 7,668,359 Farmers common shares in connection with the merger, and FOR the proposal to adjourn the special meeting to solicit additional proxies if there are insufficient votes to adopt and approve the Merger Agreement.

NBOH's board of directors has also determined that the Merger Agreement is in the best interests of NBOH and its shareholders and recommends that NBOH shareholders vote FOR the proposal to adopt and approve the Merger Agreement and FOR the proposal to adjourn the special meeting to solicit additional proxies if there are insufficient votes to adopt and approve the Merger Agreement.

**Q: Is my vote needed to adopt and approve the Merger Agreement and to approve the other matters?**

A: Yes. The adoption and approval of the Merger Agreement requires the affirmative vote of the holders of not less than two-thirds of the Farmers common shares outstanding and entitled to vote, and by the holders of at least two-thirds of the NBOH common shares outstanding and entitled to vote. Certain of the directors of NBOH, who, collectively, beneficially own 535,729 NBOH common shares, entered into voting agreements with Farmers on January 27, 2015, pursuant to which they are required, up to a collective maximum of 19.9% of NBOH's outstanding common shares and subject to certain other terms and conditions, to vote their shares in favor of the adoption and approval of the Merger Agreement (the "Voting Agreements"). The directors of Farmers did not enter into similar voting agreements, but all intend to vote their Farmers common shares in favor of the adoption and approval of the Merger Agreement.

The special meetings may be adjourned, if necessary, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to adopt and approve the Merger Agreement. The affirmative vote of the

holders of a majority of the Farmers and NBOH common shares represented, in person or proxy, at the respective special meeting is required to adjourn such special meeting. In addition, the affirmative vote of a majority of the Farmers common shares represented in person or by proxy at the Farmers special meeting and entitled to vote at the special meeting is required to approve the Farmers proposal to issue up to 7,668,359 common shares in connection with the Merger.

**Q: How do I vote?**

A: If you were the record holder of a Farmers or NBOH common share as of May 8, 2015, you may vote in person by attending your company's special meeting or, to ensure that your common shares are represented at the special meeting, you may vote your shares by signing and returning your company's enclosed proxy card in the postage-paid envelope provided by each of Farmers and NBOH.

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If you hold your Farmers or NBOH common shares in the name of a broker, bank or other nominee, please see the discussion below regarding shares held in street name.

### **Q: What will happen if I fail to vote or abstain from voting?**

A: If you fail to return your proxy card or vote in person at the special meeting or if you mark **ABSTAIN** on your proxy card or ballot at the special meeting with respect to the proposal to adopt and approve the Merger Agreement or the Farmers proposal to approve the issuance of shares, it will have the same effect as a vote **AGAINST** the proposal. If you mark **ABSTAIN** on your proxy card or ballot with respect to the adjournment of your company's special meeting, if necessary, to solicit additional proxies, it will have the same effect as a vote **AGAINST** the proposal. The failure to return your proxy card or vote in person, however, will have no effect on the proposal to adjourn your company's special meeting, if necessary, to solicit additional proxies.

### **Q: How will my shares be voted if I return a blank proxy card?**

A: As an NBOH shareholder, if you sign, date and return your proxy card and do not indicate how you want your common shares to be voted, then your shares will be voted **FOR** the adoption and approval of the Merger Agreement and, if necessary, **FOR** the approval of the adjournment for the special meeting to solicit additional proxies.

As a Farmers shareholder, if you sign, date and return your proxy card and do not indicate how you want your common shares to be voted, then your shares will be voted **FOR** the adoption and approval of the Merger Agreement, **FOR** the approval of the issuance of common shares and, if necessary, **FOR** the approval of the adjournment for the special meeting to solicit additional proxies.

### **Q: If my common shares are held in a stock brokerage account or by a bank or other nominee in street name, will my broker, bank or other nominee vote my shares for me?**

A: No. You must provide your broker, bank or nominee (the record holder of your common shares) with instructions on how to vote your common shares. Please follow the voting instructions provided by your broker, bank or nominee. If you do not provide voting instructions to your broker, bank or nominee, then your common shares **will not** be voted by your broker, bank or nominee.

Assuming a quorum is present, if you are a Farmers or NBOH shareholder and you do not instruct your broker, bank or other nominee on how to vote your shares,

your broker, bank or other nominee may not vote your shares on the proposal to approve the Merger, which broker non-votes will have the same effect as a vote **AGAINST** such proposal; and



your broker, bank or other nominee may not vote your shares on Farmers proposal to issue common shares, or either company's adjournment proposal, which broker non-votes will have no effect on the vote count for either of such proposals.

Under the Nasdaq rules, brokers who hold shares in street name for a beneficial owner of those shares typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, brokers are not allowed to exercise their voting discretion with respect to the approval of matters that the Nasdaq determines to be non-routine without specific instructions from the beneficial owner. It is expected that all proposals to be voted on at the Farmers and NBOH special meetings are such non-routine matters. Broker non-votes occur when a broker or nominee is not instructed by the beneficial owner of shares to vote on a particular proposal for which the broker does not have discretionary voting power.

**Q: Can I change my vote after I have submitted my proxy?**

A: Farmers shareholders may revoke a proxy at any time before a vote is taken at the special meeting by: (i) filing a written notice of revocation with Farmers' Secretary, at 20 South Broad Street, Canfield, Ohio

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44406; (ii) executing and returning another proxy card with a later date; or (iii) attending the special meeting and giving notice of revocation in person.

NBOH shareholders may revoke a proxy at any time before a vote is taken at the special meeting by: (i) filing a written notice of revocation with NBOH's Chief Financial Officer at 112 West Market Street, Orrville, Ohio 44667; (ii) executing and returning another proxy card with a later date; or (iii) attending the special meeting and giving notice of revocation in person.

***Your attendance at the special meeting will not, by itself, revoke your proxy.***

If you hold your common shares in street name and you have instructed your broker, bank or nominee to vote your common shares, you must follow directions received from your broker, bank or nominee to change your vote.

**Q: If I do not favor the adoption and approval of the Merger Agreement, what are my dissenters' rights?**

A: If you are an NBOH shareholder as of May 8, 2015, the record date, and you do not vote your shares in favor of the adoption and approval of the Merger Agreement and you do not return an unmarked proxy card, you will have the right under Section 1701.85 of the Ohio General Corporation Law ( OGCL ) to demand the fair cash value for your NBOH common shares. The right to make this demand is known as dissenters' rights. To exercise your dissenters' rights, you must deliver to NBOH a written demand for payment of the fair cash value of your shares before the vote on the Merger is taken at the special shareholders' meeting. The demand for payment must include your address, the number and class of NBOH common shares owned by you, and the amount you claim to be the fair cash value of the your NBOH shares, and should be mailed to: National Bancshares Corporation, Attention: Corporate Secretary, 112 West Market Street, Orrville, Ohio 44667. NBOH shareholders who wish to exercise their dissenters' rights must either: (i) vote against the Merger or not return the proxy card, and (ii) deliver written demand for payment prior to the NBOH shareholder vote. For additional information regarding dissenters' rights, see *DISSENTERS' RIGHTS* on page 45 of this joint proxy statement/prospectus and the complete text of the applicable sections of the OGCL attached to this joint proxy statement/prospectus as Annex A. No holder of Farmers common shares is entitled to exercise any rights of a dissenting shareholder under the OGCL.

**Q: When is the Merger expected to be completed?**

A: We are working to complete the Merger as quickly as possible. We expect to complete the Merger in the second quarter of 2015, assuming shareholder approvals and all applicable governmental approvals have been received by then and all other conditions precedent to the Merger have been satisfied or waived.

**Q: Should NBOH shareholders send in their share certificates now?**

A: No. Either at the time of closing or shortly after the Merger is completed, the Exchange Agent for the Merger will send you a letter of transmittal with instructions informing you how to send in your share certificates to the Exchange Agent. You should use the letter of transmittal to exchange your NBOH share certificates for the

Merger consideration. Do not send in your share certificates with your proxy form.

**Q: What do I need to do now?**

A: After carefully reviewing this joint proxy statement/prospectus, including its Annexes, please complete, sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope as soon as possible. By submitting your proxy, you authorize the individuals named in your company's proxy to vote your common shares at your company's special meeting of shareholders in accordance with your instructions. ***Your vote is very important. Whether or not you plan to attend the special meeting, please submit your proxy with voting instructions to ensure that your common shares will be voted at the special meeting.***

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**Q: Are there risks that I should consider in deciding whether to vote in favor of the Merger Agreement and the other proposals to be acted upon at the special meetings?**

A: Yes. You should read and carefully consider the risk factors set forth in the section of this joint proxy statement/prospectus entitled "Risk Factors" beginning on page 32.

**Q: Who can answer my questions?**

A: If you have questions about the Merger or desire additional copies of this joint proxy statement/prospectus or additional proxy cards, please contact your company or its proxy solicitor at the applicable address below:

Farmers National Banc Corp.	Morrow & Co., LLC (Farmers' Proxy Solicitor)
Attention: Investor Relations	470 West Avenue, 13 <sup>th</sup> Floor
20 South Broad Street	Stamford, Connecticut 06902
Canfield, Ohio 44406	Toll-Free: (800) 267-0201
(330) 533-3341	
National Bancshares Corporation	Georgeson Inc. (NBOH's Proxy Solicitor)
Attention: Shareholder Relations	480 Washington Boulevard, 26 <sup>th</sup> Floor
112 West Market Street	Jersey City, New Jersey 07310
Orrville, Ohio 44667	Toll-Free: (866) 775-2705
(330) 765-0609	

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**SUMMARY**

*This summary highlights selected information from this joint proxy statement/prospectus. It does not contain all of the information that may be important to you. You should read carefully this entire document and its Annexes and all other documents to which this joint proxy statement/prospectus refers before you decide how to vote. In addition, we incorporate by reference important business and financial information about Farmers into this document. For a description of this information, see INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE on page 116. You may obtain the information incorporated by reference into this document without charge by following the instructions in the section entitled WHERE YOU CAN FIND MORE INFORMATION in the forepart of this document. Each item in this summary includes a page reference, where applicable, directing you to a more complete description of that item.*

**The Companies**

**Farmers National Banc Corp.**

Farmers National Banc Corp.

20 South Broad Street

Canfield, Ohio 44406

Phone: (330) 533-3341

Farmers is a one-bank holding company organized in 1983 under the laws of the State of Ohio and registered under the Bank Holding Company Act of 1956, as amended (the BHCA ). Farmers operates principally through its wholly-owned subsidiaries, Farmers Bank, Farmers Trust Company ( Farmers Trust ) and National Associates, Inc. ( NAI ). Farmers National Insurance, LLC ( Farmers Insurance ) and Farmers of Canfield Investment Co. ( Farmers Investments ) are wholly-owned subsidiaries of Farmers Bank. Farmers and its subsidiaries operate in the domestic banking, trust, retirement consulting, insurance and financial management industries.

Farmers principal business consists of owning and supervising its subsidiaries. Although Farmers directs the overall policies of its subsidiaries, including lending practices and financial resources, most day-to-day affairs are managed by their respective officers. Farmers and its subsidiaries had 327 full-time equivalent employees at December 31, 2014. Farmers business activities are managed and financial performance is primarily aggregated and reported in three lines of business, the bank segment, the trust segment and the retirement planning/consulting segments.

Farmers Bank is a full-service national banking association engaged in commercial and retail banking mainly in Mahoning, Trumbull, Columbiana and Stark Counties in Ohio. Farmers Bank s commercial and retail banking services include checking accounts, savings accounts, time deposit accounts, commercial, mortgage and installment loans, home equity loans, home equity lines of credit, night depository, safe deposit boxes, money orders, bank checks, automated teller machines, internet banking, travel cards, E Bond transactions, MasterCard and Visa credit cards, brokerage services and other miscellaneous services normally offered by commercial banks.

Farmers Bank faces significant competition in offering financial services to customers. Ohio has a high density of financial service providers, many of which are significantly larger institutions that have greater financial resources than Farmers Bank, and all of which are competitors to varying degrees. Competition for loans comes principally from savings banks, savings and loan associations, commercial banks, mortgage banking companies, credit unions,

insurance companies and other financial service companies. The most direct competition for deposits has historically come from savings and loan associations, savings banks, commercial banks and credit unions. Additional competition for deposits comes from non-depository competitors such as the mutual fund industry, securities and brokerage firms and insurance companies.

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During 2009, Farmers acquired 100% of the capital stock of Butler Wick Trust Company, a wholly-owned subsidiary of Butler Wick Corporation for approximately \$12.1 million and renamed the entity Farmers Trust Company. Farmers Trust offers a full complement of personal and corporate trust services in the areas of estate settlement, trust administration and employee benefit plans. Farmers Trust operates two offices located in Boardman and Howland, Ohio.

During 2013, Farmers completed the acquisition of all of the outstanding stock of the retirement planning consultancy National Associates, Inc. of Cleveland, Ohio. The transaction involved both cash and stock totaling \$4.4 million, including up to \$1.5 million of future payments, contingent upon NAI meeting income performance targets. The acquisition is part of Farmers' plan to increase the levels of noninterest income and to complement the existing retirement service currently being offered. NAI operates from its office located in Rocky River, Ohio.

Farmers Insurance was formed during 2009 and offers a variety of insurance products through licensed representatives. Farmers Insurance is a subsidiary of Farmers Bank and does not account for a material portion of the revenue of Farmers.

Farmers of Canfield Investment Company was formed during 2014 with the primary purpose of investing in municipal securities. Farmers Investments is a subsidiary of Farmers Bank and does not account for a material portion of the revenue of Farmers.

Farmers' common shares are traded on the NASDAQ Stock Market (the Nasdaq) under the symbol FMNB. Farmers is subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, and, therefore, files reports, proxy statements and other information with the SEC. Further important business and financial information about Farmers is incorporated by reference into this joint proxy statement/prospectus. See *INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE* on page 116 of this joint proxy statement/prospectus.

## **National Bancshares Corporation**

National Bancshares Corporation

112 West Market Street

Orrville, Ohio 44667

Phone: (330) 765-0609

NBOH is a one-bank holding company organized in 1985 under the laws of the State of Ohio and is registered under the BHCA. NBOH operates through its wholly-owned subsidiary, FNB. FNB is a full-service national banking association engaged in banking through a network of 14 offices located in Wayne, Medina, Stark, and Columbiana counties in Ohio.

FNB makes commercial real estate loans, commercial loans, residential real estate and home equity loans, and consumer loans. A significant portion of FNB's lending consists of origination of conventional loans secured by 1-4 family real estate located in FNB's market area. The bank's residential mortgage loans generally are originated with loan documentation permitting sale to Federal Home Loan Mortgage Corporation. Deposits, repayment of mortgage-backed securities and repayment of loan principal are FNB's primary sources of funds for lending activities and other general business purposes. These funds are supplemented by FHLB borrowings.

The banking industry in FNB's market areas is highly competitive. In addition to competing with other commercial and savings banks and savings and loan associations, FNB competes with credit unions, finance companies, leasing companies, mortgage companies, insurance companies, brokerage and investment banking



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firms, asset-based non-bank lenders and many other financial service firms. Competition is based on interest rates offered on deposit accounts, interest rates charged on loans and leases, fees and service charges, the quality and scope of the services rendered, the convenience of banking facilities and, in the case of loans to commercial borrowers, relative lending limits, as well as other factors.

At December 31, 2014, FNB had 111 full-time equivalent employees. NBOH's common shares are traded in the OTCQX marketplace under the symbol NBOH.

### **The Merger Agreement (page 71)**

The Merger Agreement provides that, if all of the conditions are satisfied or waived, NBOH will be merged with and into Farmers, with Farmers surviving. Thereafter, at a later time specified by Farmers Bank in its certificate of merger filed with the Office of the Comptroller of the Currency (the OCC), FNB will be merged with and into Farmers Bank. The Merger Agreement is attached to this joint proxy statement/prospectus as [Annex B](#) and is incorporated in this joint proxy statement/prospectus by reference. *We encourage you to read the Merger Agreement carefully, as it is the legal document that governs the Merger.*

### **What NBOH shareholders will receive in the Merger (page 71)**

Under the terms of the Merger Agreement, shareholders of NBOH will be entitled to receive from Farmers, after the Merger is completed, Merger consideration payable in the form of a combination of cash and Farmers common shares to be calculated as set forth in the Merger Agreement. At the effective time of the Merger, each NBOH common share will be converted into the right to receive either: (i) 4.034 Farmers common shares, or (ii) \$32.15 in cash, subject to adjustment under certain circumstances set forth in the Merger Agreement. Following the Merger, NBOH shareholders will own approximately 28.1% of the outstanding Farmers common shares. Additionally, while NBOH has historically paid a \$0.10 per share quarterly dividend, Farmers currently pays a \$0.03 per share quarterly dividend. On a per share equivalent basis, NBOH shareholders would receive a 21.0% increase in dividends.

Farmers will not issue any fractional common shares in connection with the Merger. Instead, each holder of NBOH common shares who would otherwise be entitled to receive a fraction of a Farmers common share (after taking into account all NBOH common shares owned by such holder at the effective time of the Merger) will receive cash, without interest, in an amount equal to the Farmers fractional common share to which such holder would otherwise be entitled multiplied by the volume-weighted average, rounded to the nearest one tenth of a cent, of the closing sale prices of Farmers common shares based on information reported by the Nasdaq for the five (5) trading days immediately preceding the effective time.

### **What holders of NBOH Stock Options will receive (page 72)**

At the effective time of the Merger, each outstanding and unexercised employee and director option to purchase NBOH common shares, whether vested or unvested, will vest in full and cease to represent an option to purchase NBOH common shares. Instead, each holder of an option will be entitled to receive cash in an amount equal to (a) the difference between \$32.15 and the exercise price of the option, multiplied by (b) the total number of NBOH common shares for which the option was exercisable.

As of May 7, 2015, there were outstanding NBOH stock options to purchase 142,471 shares, 100% of which were vested. As of May 7, 2015, all 142,471 NBOH common shares, or 100% of all outstanding option shares, are held by directors and executive officers of NBOH. The average exercise price of the outstanding NBOH stock options is \$16.56. Accordingly, the maximum aggregate cash payment to the holders of NBOH stock options will be

approximately \$2.2 million.

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**Exchange of NBOH common shares (page 72)**

Once the Merger is complete, Computershare Investor Services, as exchange agent (the Exchange Agent), will mail you transmittal materials and instructions for exchanging your NBOH share certificates for Farmers common shares to be issued by book-entry transfer.

**NBOH special meeting of shareholders (page 37)**

A special meeting of shareholders of NBOH will be held at 10:00 a.m., local time, on June 12, 2015, at the Operations Center of the First National Bank of Orrville at 1444 N. Main Street, Orrville, Ohio 44667, for the purpose of considering and voting on the following matters:

a proposal to adopt and approve the Merger Agreement;

a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event there are not sufficient votes at the time of the special meeting to adopt and approve the Merger Agreement; and

any other business which properly comes before the special meeting or any adjournment or postponement of the special meeting. The NBOH board of directors is presently unaware of any other business to be transacted at the special meeting.

You are entitled to vote at the special meeting if you owned NBOH common shares as of the close of business on May 8, 2015. As of May 7, 2015, a total of 2,233,694 NBOH common shares were outstanding and eligible to be voted at the NBOH special meeting.

**Farmers special meeting of shareholders (page 41)**

A special meeting of shareholders of Farmers will be held at 10:00 a.m., local time, on June 12, 2015, at Farmers main office at 20 South Broad Street, Canfield, Ohio 44406, for the purpose of considering and voting on the following matters:

a proposal to adopt and approve the Merger Agreement;

a proposal to approve the issuance of up to 7,668,359 Farmers common shares to be issued in connection with the Merger;

a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event there are not sufficient votes at the time of the special meeting to adopt and approve the Merger Agreement; and

any other business which properly comes before the special meeting or any adjournment or postponement of the special meeting. The Farmers board of directors is presently unaware of any other business to be transacted at the special meeting.

You are entitled to vote at the special meeting if you owned Farmers common shares as of the close of business on May 8, 2015. As of May 7, 2015, a total of 18,408,612 Farmers common shares were outstanding and eligible to be voted at the Farmers special meeting.

**Required vote (pages 37, 41)**

The adoption and approval of the Merger Agreement by Farmers will require the affirmative vote of the holders of at least 12,272,408 Farmers common shares, which, as of May 7, 2015, is not less than two-thirds of the Farmers common shares outstanding and entitled to vote at the Farmers special meeting. A quorum, consisting of the holders of 6,136,204 of the outstanding Farmers common shares, must be present in person or

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by proxy at the Farmers special meeting before any action, other than the adjournment of the special meeting, can be taken. The affirmative vote of the holders of a majority of the Farmers common shares represented, in person or proxy, at the special meeting is required to adjourn the special meeting, if necessary, to solicit additional proxies.

The adoption and approval of the Merger Agreement by NBOH will require the affirmative vote of the holders of at least 1,489,130 NBOH common shares, which is two-thirds of the NBOH common shares outstanding and entitled to vote at the NBOH special meeting. A quorum, consisting of the holders of 1,116,847 of the outstanding NBOH common shares, must be present in person or by proxy at the NBOH special meeting before any action, other than the adjournment of the special meeting, can be taken. The affirmative vote of the holders of a majority of the NBOH common shares represented, in person or proxy, at the special meeting is required to adjourn the special meeting, if necessary, to solicit additional proxies.

As of May 7, 2015, directors, executive officers and greater than 5% beneficial owners of Farmers owned an aggregate of 2,105,217 Farmers common shares, an amount equal to approximately 11.44% of the outstanding Farmers common shares. As of the same date, directors, executive officers and greater than 5% beneficial owners of NBOH beneficially owned an aggregate of 749,333 NBOH common shares, an amount equal to approximately 33.55% of the outstanding NBOH common shares. As of May 7, 2015, prior to giving effect to the Merger, the directors, executive officers and greater than 5% beneficial owners of Farmers owned 1.86%, 0.42% and 9.16%, respectively, of the outstanding Farmers common shares, and after giving effect to the Merger, the directors, executive officers and greater than 5% beneficial owners of Farmers would own 1.37%, 0.30% and 6.46%, respectively, of the outstanding Farmers common shares.

All directors and executive officers of Farmers have indicated that they will vote in favor of the adoption and approval of the Merger Agreement, although none of them have entered into formal commitments. Certain of the directors of NBOH, who, collectively, beneficially own 535,729 NBOH common shares, entered into the Voting Agreements, pursuant to which they are required, up to a collective maximum of 19.9% of NBOH's outstanding common shares and subject to certain other terms and conditions, to vote their shares in favor of the adoption and approval of the Merger Agreement. No non-director executive officer of NBOH nor any other NBOH shareholder included in the table on page 89 of this joint proxy statement/prospectus has executed a voting agreement with Farmers nor has any such person committed to Farmers or NBOH that such person will vote in favor of any of the matters being presented to the NBOH shareholders at the NBOH special meeting. Excluding such committed shares held by NBOH directors, the adoption and approval of the Merger Agreement will require the affirmative vote of the holders of at least 1,044,625 NBOH common shares, or 58.4% of the non-committed outstanding shares.

As of the date of this joint proxy statement/prospectus, Farmers and its directors, executive officers and affiliates beneficially owned no NBOH common shares, and NBOH and its directors, executive officers and affiliates beneficially owned no Farmers common shares. Farmers Trust acts as trustee with respect to 310,383 Farmers common shares. FNB acts as trustee for no NBOH common shares. Farmers Trust will vote the shares it holds as trustee with respect to which it has voting power in accordance with its fiduciary duties at the time of the Farmers special meeting, but expects at this time that it will vote the shares in favor of all of the proposals presented for a vote.

**Recommendation to NBOH shareholders (page 40)**

The board of directors of NBOH approved the Merger Agreement by a vote of eight to two. The board of directors of NBOH believes that the Merger is in the best interests of NBOH and its shareholders, and, as a result, the board of directors recommend that NBOH shareholders vote **FOR** the adoption and approval of the Merger Agreement and **FOR** the proposal to adjourn the special meeting, if necessary and appropriate, to solicit additional proxies.



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In reaching this decision, the board of directors of NBOH considered many factors, which are described in the section captioned *THE MERGER Background of the Merger* and *THE MERGER NBOH s Reasons for the Merger* beginning on page 46 and page 49, respectively, of this joint proxy statement/prospectus.

### **Opinion of NBOH s Financial Advisor (page 51)**

In connection with the Merger, NBOH s financial advisor, Boenning & Scattergood, Inc. ( Boenning ), delivered a written opinion, dated January 27, 2015, to the NBOH board of directors as to the fairness, from a financial point of view, of the Merger consideration in the Merger to be received by the holders of NBOH common shares. The full text of the opinion, which describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Boenning in preparing the opinion, is attached as Annex C to this document. **The opinion was for the information of, and was directed to, the NBOH board (in its capacity as such) in connection with its consideration of the financial terms of the Merger. The opinion did not address the underlying business decision of NBOH to engage in the Merger or enter into the Merger Agreement or constitute a recommendation to the NBOH board in connection with the Merger, and it does not constitute a recommendation to any holder of NBOH common shares or any shareholder of any other entity as to how to vote in connection with the Merger or any other matter.**

### **Recommendation to Farmers shareholders (page 44)**

The board of directors of Farmers unanimously approved the Merger Agreement. The board of directors of Farmers believes that the Merger is in the best interests of Farmers and its shareholders, and, as a result, the directors unanimously recommend that Farmers shareholders vote **FOR** the adoption and approval of the Merger Agreement, **FOR** the approval of the issuance of up to 7,668,359 common shares in connection with the Merger, and **FOR** the proposal to adjourn the special meeting, if necessary and appropriate, to solicit additional proxies.

In reaching this decision, the board of directors of Farmers considered many factors which are described in the section captioned *THE MERGER Background of the Merger* and *THE MERGER Farmers Reasons for the Merger* beginning on page 46 and page 58, respectively, of this joint proxy statement/prospectus.

### **Opinion of Farmers Financial Advisor (page 59)**

At the request of Farmers board of directors on January 27, 2015, Sterne, Agee & Leach, Inc. ( Sterne Agee ) rendered its opinion that, as of January 27, 2015, from a financial point of view, the Merger consideration to be paid by Farmers pursuant to the Merger Agreement was fair, based upon and subject to the qualifications, assumptions and other matters considered in connection with the preparation of its opinion. The full text of Sterne Agee s written opinion, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this document as Annex D. **The opinion was provided for the information of Farmers board of directors (solely in its capacity as such) in connection with, and for purposes of, its consideration of the Merger and the opinion only addressed whether the Merger consideration to be paid by Farmers in the Merger pursuant to the Merger Agreement was fair, from a financial point of view, to Farmers. The opinion did not address any other term or aspect of the Merger Agreement or the Merger contemplated thereby. The opinion does not constitute a recommendation to the board or to any holder of Farmers common shares as to how the board, such shareholder or any other person should vote or otherwise act with respect to the Merger or any other matter.**





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**Material U.S. federal income tax consequences of the Merger (page 66)**

Farmers and NBOH intend that the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), and it is a condition to the obligation of NBOH to complete the Merger that it receives a legal opinion to that effect. If treated as a reorganization, for U.S. federal income tax purposes (i) no gain or loss will be recognized by Farmers or NBOH as a result of the Merger, (ii) NBOH shareholders will recognize gain (but not loss) in an amount not to exceed any cash received in exchange for NBOH common shares in the Merger (other than any cash received in lieu of a fractional Farmers common share, as discussed below under the section entitled *THE MERGER Material U.S. Federal Income Tax Consequences of the Merger Cash in Lieu of Fractional Shares* beginning on page 69) and (iii) NBOH shareholders who exercise dissenters' rights and receive solely cash in exchange for NBOH common shares in the Merger will, generally, recognize gain or loss equal to the difference between the amount of cash received and their tax basis in their shares.

All NBOH shareholders should read carefully the description under the section captioned *THE MERGER Material U.S. Federal Income Tax Consequences of the Merger* beginning on page 66 of this joint proxy statement/prospectus and should consult their own tax advisors concerning these matters. All NBOH shareholders should consult their tax advisors as to the specific tax consequences of the Merger to them, including the applicability and effect of the alternative minimum tax and any state, local, foreign or other tax laws.

**Interests of directors and executive officers of NBOH (page 65)**

Officers and directors of NBOH have employment and other compensation agreements or economic interests that give them interests in the Merger that are somewhat different from, or in addition to, their interests as NBOH shareholders. These interests and agreements include:

two members of the NBOH board of directors (Mr. Smail and Mr. Wenger) will be appointed to the Farmers Board of Directors, and it is anticipated that Mr. Smail will serve as Vice Chairman of Farmers;

the acceleration of vesting of all outstanding stock options issued by NBOH, and all such stock options will be exchanged for an amount of cash equal to the positive difference between \$32.15 and the exercise price per share of such NBOH stock option multiplied by the number of shares subject to such NBOH stock option;

continued employment that has been offered by Farmers to NBOH's President and Chief Executive Officer, and will be offered to NBOH's Vice President and Chief Financial Officer, and each other member of NBOH's senior management team; and

rights of NBOH officers and directors to continued indemnification coverage and continued coverage under directors' and officers' liability insurance policies.

Each of Farmers' and NBOH's board of directors was aware of these interests and considered them in approving the Merger Agreement. See *THE MERGER Interests of NBOH Directors and Executive Officers in the Merger* beginning on page 65 of this joint proxy statement/prospectus.

**Dissenters' rights of NBOH shareholders (page 45)**

Under Ohio law, NBOH shareholders who do not vote in favor of the adoption and approval of the Merger Agreement and deliver a written demand for payment for the fair cash value of their NBOH common shares prior to the NBOH special meeting, will be entitled, if and when the Merger is completed, to receive the fair cash value of their NBOH common shares. The right to make this demand is known as dissenters' rights. NBOH shareholders' right to receive the fair cash value of their NBOH common shares, however, is contingent upon

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strict compliance with the procedures set forth in Section 1701.85 of the OGCL. An NBOH shareholder's failure to vote against the adoption and approval of the Merger Agreement will not constitute a waiver of such shareholder's dissenters' rights, so long as such shareholder does not vote in favor of the Merger Agreement or return an unmarked proxy card.

For additional information regarding dissenters' rights, see *DISSENTERS' RIGHTS* on page 45 of this joint proxy statement/prospectus and the complete text of Section 1701.85 of the OGCL attached to this joint proxy statement/prospectus as Annex A. If NBOH shareholders should have any questions regarding dissenters' rights, such shareholders should consult with their own legal advisers.

**Certain differences in shareholder rights (page 84)**

When the Merger is completed, NBOH shareholders (other than those exercising dissenters' rights or receiving only cash) will receive Farmers common shares and, therefore, will become Farmers shareholders. As Farmers shareholders, the former NBOH shareholders' rights will be governed by Farmers' Amended Articles of Incorporation and Regulations, as well as Ohio law. Notably, NBOH shareholders will own less of the combined company and as such will have decreased voting power. For a summary of significant differences, see *COMPARISON OF CERTAIN RIGHTS OF NBOH AND FARMERS SHAREHOLDERS* beginning on page 89 of this joint proxy statement/prospectus.

**Regulatory approvals required for the Merger (page 65)**

The Merger cannot be completed until Farmers receives necessary regulatory approvals, which include the approval of the Federal Reserve and the approval of the OCC. Farmers has received such approval to consummate the Merger from the OCC, but has not yet received such approval from the Federal Reserve.

**Conditions to the Merger (page 80)**

As more fully described in this joint proxy statement/prospectus and in the Merger Agreement, the completion of the Merger depends on the adoption and approval of the Merger Agreement by Farmers' and NBOH's shareholders and receipt of the required regulatory approvals, in addition to satisfaction of, or where legally permissible, waiver of, other customary conditions. Although Farmers and NBOH anticipate the closing of the Merger will occur in the second quarter of 2015, neither Farmers nor NBOH can be certain when, or if, the conditions to the Merger will be satisfied or, where permissible, waived, or that the Merger will be completed. See *THE MERGER AGREEMENT Conditions to Consummation of the Merger* beginning on page 80 of this joint proxy statement/prospectus.

**Termination; Termination Fee (page 81)**

The Merger Agreement may be terminated at any time prior to the effective time of the Merger, whether before or after approval of the Merger by NBOH shareholders:

by mutual written consent of Farmers and NBOH;

by either party, if a required governmental approval is denied by final, non-appealable action, or if a governmental entity has issued a final, non-appealable order, injunction or decree permanently enjoining or

otherwise prohibiting or making illegal the transactions contemplated by the Merger Agreement;

by either Farmers or NBOH, if the Merger has not closed on or before January 27, 2016, unless the failure to close by such date is due to the terminating party's failure to observe the covenants and agreements of such party set forth in the Merger Agreement;

by either Farmers or NBOH, if there is a breach by the other party of any of its covenants or agreements or any of its representations or warranties that would, either individually or in the aggregate with other

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breaches by such party, result in, if occurring or continuing on the closing date, the failure of the conditions of the terminating party's obligation to complete the Merger and which is not cured within 30 days following written notice to the party committing such breach or by its nature or timing cannot be cured within such time period (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the Merger Agreement);

by Farmers, if at any time prior to the effective time of the Merger, NBOH's board of directors has (1) failed to recommend to the shareholders of NBOH that they vote to approve the Merger Agreement, (2) changed its recommendation with respect to the Merger Agreement, including by publicly approving, endorsing or recommending, or publicly proposing to approve, endorse or recommend, certain acquisition proposals other than the Merger agreement, whether or not permitted by the Merger Agreement, or has resolved to do the same, or (3) failed to substantially comply with its non-solicitation obligations or its obligations to recommend to the NBOH shareholders the adoption of the Merger proposal and call a shareholder meeting for that purpose;

by Farmers, if a tender offer or exchange offer for 15% or more of the outstanding NBOH common shares is commenced (other than by Farmers or a subsidiary of Farmers), and NBOH's board of directors recommends that the shareholders of NBOH tender their shares in such tender or exchange offer or otherwise fails to recommend that such shareholders reject such tender or exchange offer within ten business days; or

by either Farmers or NBOH, if the NBOH shareholders do not vote to approve the Merger Agreement at a duly held shareholders meeting (including any adjournment or postponement of such meeting) or the Farmers shareholders do not vote to approve the merger agreement at a duly held shareholders meeting (including any adjournment or postponement of such meeting).

If the Merger Agreement is terminated under certain circumstances, including circumstances involving alternative acquisition proposals, NBOH may be required to pay Farmers a termination fee of \$2.5 million. See *THE MERGER AGREEMENT Termination; Termination Fee* beginning on page 81.



Net income	\$ 8,965	\$ 7,780	\$ 9,932	\$ 9,218	\$ 8,991
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**SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF  
FARMERS NATIONAL BANC CORP.**

	At or For the Years Ended December 31,				
	2014	2013	2012	2011	2010
<b>Selected Operating Ratios and Other Data:</b>					
<b>Performance Ratios:</b>					
Return on average assets	0.79%	0.68%	0.89%	0.89%	0.87%
Return on average equity	7.45%	6.66%	8.42%	8.76%	10.46%
Average interest rate spread (tax equivalent) <sup>(2)</sup>	3.48%	3.47%	3.66%	3.90%	3.98%
Net interest margin (tax equivalent)	3.59%	3.58%	3.76%	4.01%	4.10%
Non-interest expense/average assets	3.34%	3.42%	3.20%	3.26%	3.00%
Efficiency ratio	70.24%	74.82%	69.94%	67.14%	61.10%
<b>Capital Ratios:</b>					
Total risk based capital (to risk-weighted assets)	16.48%	16.26%	17.35%	17.43%	13.99%
Tier 1 risk based capital (to risk weighted assets)	15.43%	15.19%	16.18%	16.16%	12.73%
Tier 1 leverage (core) capital (to average tangible assets)	10.03%	9.36%	9.54%	9.50%	7.65%
Equity to total assets	10.87%	9.94%	10.60%	10.72%	9.00%
<b>Asset Quality Ratios:</b>					
Nonperforming assets/total assets	0.76%	0.81%	0.75%	1.09%	0.96%
Non-performing loans/total loans	1.28%	1.44%	1.40%	1.93%	1.51%
Allowance for loan losses/nonperforming loans	89.99%	83.25%	93.01%	89.19%	104.56%
Allowance for loan losses as a percent of loans	1.15%	1.20%	1.30%	1.72%	1.58%
<b>Share Data:</b>					
Basic earnings per common share	\$ 0.48	\$ 0.41	\$ 0.53	\$ 0.50	\$ 0.66
Diluted earnings per common share	0.48	0.41	0.53	0.50	0.66
Dividends per common share	0.12	0.12	0.18	0.12	0.12



Book value per share	6.71	6.02	6.43	6.10	6.45
Market price at year end	8.35	6.55	6.20	4.95	3.62
Weighted average common shares outstanding basic	18,674,526	18,773,491	18,791,843	18,271,580	13,563,734
Weighted average common shares outstanding diluted	18,675,416	18,773,491	18,791,843	18,271,580	13,563,734

Note: All performance ratios are based on average balance sheet amounts where applicable.

- (1) Loans do not include loans held for sale, which are not material.
- (2) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of interest-bearing liabilities.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA FOR NBOH**

The following table summarizes financial results achieved by NBOH for the periods and at the dates indicated and should be read in conjunction with *INFORMATION ABOUT NBOH* NBOH Management's Discussion and Analysis of Results of Operations and Financial Condition, and NBOH's Consolidated Financial Statements and the notes to the Consolidated Financial Statements included in this joint proxy statement/prospectus. The selected operating data presented below are not necessarily indicative of the results that may be expected for future periods. You should not assume the results of operations for past periods noted below indicate results for any future period.

The information below has been derived from NBOH's Consolidated Financial Statements.

**SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF  
NATIONAL BANCSHARES CORPORATION**

<i>(Dollars in thousands, except per share data)</i>	<b>At December 31,</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Selected Financial Data:</b>					
Total assets	\$ 529,599	\$ 476,241	\$ 440,834	\$ 406,086	\$ 374,096
Loans, net of allowance for loan losses <sup>(1)</sup>	398,582	324,355	265,539	213,952	190,685
Allowance for loan losses	4,063	3,872	3,400	3,163	2,585
Securities available for sale	77,865	93,751	121,650	150,175	138,033
Total deposits	418,332	386,550	367,069	340,664	309,134
Borrowings	54,505	39,065	23,633	18,168	23,471
Total stockholders' equity	52,530	46,582	45,321	42,745	38,981
	<b>For the year ended December 31,</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Selected Operating Data:</b>					
Total interest income	\$ 18,640	\$ 16,608	\$ 15,989	\$ 15,413	\$ 15,501
Total interest expense	1,500	1,596	1,762	2,050	3,219
Net interest income	17,140	15,012	14,227	13,363	12,282
Provision for loan losses	299	602	1,374	600	2,229
Net interest income after provision for loan losses	16,841	14,410	12,853	12,763	10,053
Total non-interest income	2,935	2,898	2,897	3,032	3,190
Total non-interest expense	11,637	11,976	12,388	12,739	11,847
Income before income tax expense	8,139	5,332	3,362	3,056	1,396
Income tax expense	2,235	1,217	551	444	71
Net income	\$ 5,904	\$ 4,115	\$ 2,811	\$ 2,612	\$ 1,325



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**SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF  
NATIONAL BANCSHARES CORPORATION**

	At or For the Years Ended December 31,				
	2014	2013	2012	2011	2010
<b>Selected Operating Ratios and Other Data:</b>					
<b>Performance Ratios:</b>					
Return on average assets	1.16%	0.88%	0.65%	0.66%	0.35%
Return on average equity	11.92%	8.97%	6.39%	6.39%	3.34%
Net interest rate spread <sup>(2)</sup>	3.64%	3.51%	3.54%	3.70%	3.43%
Net interest margin	3.76%	3.65%	3.69%	3.86%	3.66%
Non-interest expense/average assets	2.29%	2.57%	2.84%	3.20%	3.11%
Efficiency ratio	55.67%	63.76%	68.62%	73.93%	73.60%
<b>Capital Ratios:</b>					
Total risk based capital (to risk weighted assets) <sup>(3)</sup>	12.65%	12.29%	12.53%	13.85%	13.59%
Tier 1 risk based capital (to risk weighted assets) <sup>(3)</sup>	11.59%	11.17%	11.37%	12.60%	12.46%
Tier 1 leverage (core) capital (to tangible assets) <sup>(3)</sup>	8.46%	8.23%	7.59%	7.78%	7.46%
Equity to total assets	9.92%	9.78%	10.28%	10.53%	10.42%
<b>Asset Quality Ratios:</b>					
Nonperforming assets/total assets	0.33%	0.26%	0.47%	0.99%	1.31%
Nonperforming loans/total loans	0.26%	0.14%	0.44%	1.85%	2.51%
Allowance for loan losses/nonperforming loans	385.12%	838.10%	284.28%	78.82%	53.19%
Allowance for loan losses as a percent of loans	1.01%	1.18%	1.26%	1.46%	1.34%
<b>Share Data:</b>					
Basic earnings per common share	\$ 2.65	\$ 1.85	\$ 1.27	\$ 1.18	\$ 0.60
Diluted earnings per common share	2.62	1.85	1.27	1.18	0.60
Dividends per common share	0.40	0.32	0.32	0.32	0.32
Tangible Book value per share	23.57	20.94	20.42	19.31	17.67
Market price at year end	22.60	21.94	15.20	14.60	13.00
Weighted average common shares outstanding basic	2,225,236	2,223,026	2,217,690	2,211,508	2,205,973

Weighted average common shares outstanding	diluted	2,250,954	2,227,242	2,220,047	2,211,508	2,205,973
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- (1) Loans do not include loans held for sale, which are not material.
- (2) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of interest-bearing liabilities.
- (3) Capital ratios are calculated at the FNB level.

**Table of Contents****SUMMARY SELECTED PRO FORMA CONDENSED COMBINED DATA**

The following table shows selected financial information on a pro forma combined basis giving effect to the Merger (which is known as pro forma information) as if the Merger had become effective as of the date presented, in the case of the balance sheet information, and at the beginning of the period presented, in the case of the income statement information. The pro forma information reflects the acquisition method of accounting.

Farmers anticipates that the Merger will provide the combined company with financial benefits that include reduced operating expenses and greater revenue. The pro forma information, while helpful in illustrating the financial characteristics of Farmers following the Merger under one set of assumptions, does not reflect these benefits and, accordingly, does not attempt to predict or suggest future results. The pro forma information also does not necessarily reflect what the historical results of Farmers would have been had the companies been combined during these periods.

The exchange ratio of 4.034 was used in preparing this selected pro forma information. You should read this summary pro forma information in conjunction with the information under Unaudited Pro Forma Condensed Combined Consolidated Financial Information Related to the Merger and with the historical information in this document on which it is based.

	<b>At December 31, 2014</b>	
	<b>(In thousands)</b>	
<b>Pro forma combined balance sheet data:</b>		
Total assets	\$	1,665,968
Loans, net		1,055,426
Deposits		1,334,612
Total shareholders' equity		174,915
	<b>Year Ended</b>	
	<b>December 31, 2014</b>	
	<b>(In thousands)</b>	
<b>Pro forma combined balance sheet data:</b>		
Interest income	\$	59,857
Interest expense		5,848
Net interest income		54,009
Provision for loan losses		2,179
Net interest income after provision for loan losses		51,830
Non-interest income		18,238
Non-interest expense		50,645
Income before income taxes		19,423
Provision for income taxes		4,757
Net income	\$	14,666

**Pro forma per share data:**

Basic earnings	\$	0.57
Diluted earnings	\$	0.57

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**UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED  
FINANCIAL INFORMATION RELATING TO THE MERGER**

The unaudited pro forma condensed combined consolidated financial information has been prepared using the acquisition method of accounting, giving effect to the proposed Merger. The unaudited pro forma condensed combined consolidated balance sheet combines the historical financial information of Farmers and NBOH as of December 31, 2014, and assumes that the Merger was completed on that date. The unaudited pro forma condensed combined consolidated income statement combines the historical financial information of Farmers and NBOH and give effect to the Merger as if it had been completed as of January 1, 2014. The unaudited pro forma condensed combined consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations or financial condition had the Merger been completed on the dates described above, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined entities. The financial information should be read in conjunction with the accompanying Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Information. Certain reclassifications have been made to NBOH's historical financial information in order to conform to Farmers' presentation of financial information.

The actual value of Farmers common shares to be recorded as consideration in the Merger will be based on the closing price of Farmers common shares at the time of the Merger completion date. The proposed Merger is expected to be completed in the second quarter of 2015, but there can be no assurance that the Merger will be completed as anticipated. For purposes of the pro forma financial information, NBOH's outstanding shares, as of January 26, 2015 in the amount of 2,230,494, were used and the fair value of Farmers common shares to be issued in connection with the Merger was based on FMNB's closing price of \$7.50 as of January 26, 2015.

The pro forma financial information includes estimated adjustments, including adjustments to record assets and liabilities of NBOH at its fair value, and represents the pro forma estimates by Farmers based on available fair value information as of the date of the Merger Agreement. In some cases, where noted, more recent information has been used to support estimated adjustments in the pro forma financial information.

The pro forma adjustments included herein are subject to change depending on changes in interest rates and the components of assets and liabilities, and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price for the Merger will be determined after it is completed and after completion of thorough analyses to determine the fair value of NBOH's tangible and identifiable intangible assets and liabilities as of the date the Merger is completed. Increases or decreases in the estimated fair values of the net assets as compared with the information shown in the unaudited pro forma condensed combined consolidated financial information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact Farmers' statement of income due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to NBOH's shareholders' equity, including results of operations from December 31, 2014, through the date the Merger is completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

Farmers anticipates that the Merger will provide the combined company with financial benefits that include reduced operating expenses. Farmers expects to realize cost savings of approximating 25% of the anticipated non-interest expense of NBOH. These cost savings are not included in these pro forma statements and there can be no assurance that expected cost savings will be realized. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future



results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during these periods.

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The unaudited pro forma condensed combined consolidated financial information has been derived from and should be read in conjunction with the historical consolidated financial statements and the related notes of Farmers and NBOH, which, in the case of Farmers, are incorporated in this joint proxy statement/prospectus by reference and, in the case of NBOH, included in this joint proxy statement/prospectus. See *Where You Can Find More Information* in the forepart of this document.

**The unaudited pro forma shareholders' equity and net income are qualified by the statements set forth under this caption and should not be considered indicative of the market value of Farmers' common shares or the actual or future results of operations of Farmers for any period. Actual results may be materially different than the pro forma information presented.**

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET**

December 31, 2014	Farmers	NBOH	Pro Forma Adjustments (In thousands)	Pro Forma Combined	Pro Forma Notes
<b>Assets:</b>					
Cash and cash equivalents	\$ 27,428	\$ 28,901		\$ 56,329	
Securities available for sale	389,829	77,865	(19,327)	448,367	A
Loans held for sale	511	479		990	
Loans	663,852	402,645	(3,439)	1,063,058	B
Allowance for Loan Losses	(7,632)	(4,063)	4,063	(7,632)	C
Net Loans	656,220	398,582	624	1,055,426	
Premises and equipment, net	17,049	8,837	(873)	254,013	D
Bank owned life insurance	16,367	2,856		19,223	
Goodwill	5,591	4,723	15,387	25,701	E
Other intangibles	3,222	0	5,154	8,376	F
Other assets	20,750	7,356	(1,563)	26,543	G,H
<b>Total assets</b>	<b>\$ 1,136,967</b>	<b>\$ 529,599</b>	<b>\$ (598)</b>	<b>\$ 1,665,968</b>	
<b>Liabilities and Shareholders Equity:</b>					
<b>Deposits</b>					
Noninterest-bearing	\$ 184,697	\$ 111,718	\$	\$ 296,415	
Interest-bearing	731,006	306,614	577	1,038,197	I
Total deposits	915,703	418,332	577	1,334,612	
Short-term borrowings	59,136	16,505		75,641	
Long-term borrowings	28,381	38,000		66,381	
Accrued interest payable and other liabilities	10,187	4,232		14,419	
<b>Total liabilities</b>	<b>1,013,407</b>	<b>477,069</b>	<b>577</b>	<b>1,491,053</b>	
<b>Shareholders equity:</b>					
Common stock	106,021	11,447	42,540	160,008	J
Additional paid-in-capital	0	5,005	(5,005)	0	K
Retained earnings	20,944	34,767	(37,399)	18,312	L
Accumulated other comprehensive income	1,093	2,506	(2,506)	1,093	M
Treasury stock	(4,498)	(1,195)	1,195	(4,498)	N
<b>Total shareholders equity</b>	<b>123,560</b>	<b>52,530</b>	<b>(1,175)</b>	<b>174,915</b>	
<b>Total liabilities and shareholders equity</b>	<b>\$ 1,136,967</b>	<b>\$ 529,599</b>	<b>\$ (598)</b>	<b>\$ 1,665,968</b>	



**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED INCOME STATEMENT**

<b>For the Year Ended December 31, 2014</b>	<b>Farmers</b>	<b>NBOH</b>	<b>Pro forma Adjustments</b>	<b>Pro forma Combined</b>	<b>Notes</b>
	<b>(In thousands, except share and per share amounts)</b>				
<b>Interest and dividend income:</b>					
Loans, including fees	\$ 30,901	\$ 15,974	\$ 374	\$ 47,249	O
Taxable securities	7,282	984	(72)	8,194	P
Tax exempt securities	2,523	1,609		4,132	
Federal funds sold and other	209	73		282	
<b>Total interest income</b>	<b>40,915</b>	<b>18,640</b>	<b>302</b>	<b>59,857</b>	
<b>Interest expense:</b>					
Deposits	4,008	1,284	(231)	5,061	Q
Borrowings	571	216		787	
<b>Total interest expense</b>	<b>4,579</b>	<b>1,500</b>	<b>(231)</b>	<b>5,848</b>	
<b>Net interest income</b>	<b>36,336</b>	<b>17,140</b>	<b>533</b>	<b>54,009</b>	
Provision for loan losses	1,880	299		2,179	
<b>Net interest income after provision for loan Losses</b>	<b>34,456</b>	<b>16,841</b>	<b>533</b>	<b>51,830</b>	
<b>Non-interest income:</b>					
Service charges on deposit accounts	2,627	1,319		3,946	
Net increase from BOLI	459	68		527	
Security gains	457	128		585	
Trust fees	6,092	0		6,092	
Insurance agency commissions	354	0		354	
Retirement plan consulting fees	1,809	0		1,809	
Net gains on sale of loans	358	672		1,030	
Investment commissions	1,026	0		1,026	
Other operating income	2,121	748		2,869	
<b>Total non-interest income</b>	<b>15,303</b>	<b>2,935</b>		<b>18,238</b>	
<b>Noninterest expense:</b>					
Salaries and employee benefits	20,878	6,244		27,122	
Occupancy and equipment	4,505	1,481	(44)	5,942	D
Core processing charges	1,571	911		2,482	
State and local taxes	878	359		1,237	
Professional fees	2,451	325		2,776	
Advertising	1,112	281		1,393	
Intangible amortization	767	0	890	1,657	R

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FDIC insurance	733	255		988	
Other operating expenses	5,267	1,781		7,048	
<b>Total noninterest expense</b>	<b>38,162</b>	<b>11,637</b>	<b>846</b>	<b>50,645</b>	
Income before income taxes	11,597	8,139	(313)	19,423	
Income taxes	2,632	2,235	(110)	4,757	\$
Net income	\$ 8,965	\$ 5,904	\$ (203)	\$ 14,666	
<b>Basic earnings per common share:</b>					
Earnings per share	\$ 0.48	\$ 2.65		\$ 0.57	
Weighted average shares outstanding	18,674,526	2,225,236	4,973,014	25,872,776	T
<b>Diluted earnings per common share:</b>					
Earnings per share	\$ 0.48	\$ 2.62		\$ 0.57	
Weighted average shares outstanding	18,675,416	2,250,954	4,947,296	25,873,666	T

**Table of Contents****Notes to Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet****As of December 31, 2014**

(In thousands, except share and per share amounts)

**Basis of Presentation**

The unaudited pro forma condensed combined consolidated financial information has been prepared using the acquisition method of accounting giving effect to the Merger involving Farmers and NBOH, with Farmers as the accounting acquirer. The unaudited pro forma condensed combined consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the financial position had the Merger been consummated at December 31, 2014 or the results of operations had the Merger been consummated at January 1, 2014, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined entities. The Merger, which is currently expected to be completed in the first half of 2015, provides for the issuance of 7,198,250 shares of Farmers common stock and cash consideration totaling \$16.6 million which includes payout of 145,671 options with an average exercise price of \$16.49. Based on NBOH's 2,230,494 outstanding shares as of January 26, 2015, the 80% maximum stock conversion at the 4.034 exchange rate and Farmers' closing stock price on January 26, 2015, the value of the aggregate Merger consideration would be approximately \$70.6 million. Certain NBOH stock transactions may occur prior to close of the Merger which are not considered in the assumptions for these pro forma adjustments.

Under the acquisition method of accounting, the assets and liabilities of NBOH will be recorded at the respective fair values on the Merger date. The fair value on the Merger date represents management's best estimates based on available information and facts and circumstances in existence on the Merger date. The pro forma allocation of purchase price reflected in the unaudited pro forma condensed combined consolidated financial information is subject to adjustment and may vary from the actual purchase price allocation that will be recorded at the time the Merger is completed. Adjustments may include, but not be limited to, changes in (1) the aggregate value of the Merger consideration paid if the price of Farmers common stock varies from the assumed \$7.50 per share; (2) total Merger-related expenses if consummation and/or implementation costs vary from currently estimated amounts; and (3) the underlying values of assets and liabilities if market conditions differ from current assumptions. The following table sets forth the impact on the purchase price, as well as the goodwill generated, if the market price increased or decreased by 10%, 20% or 30% from the assumed market price of \$7.50 per share.

	-30%	-20%	-10%	Base	10%	20%	30%
Assumed market price of Farmers common shares	\$ 5.25	\$ 6.00	\$ 6.75	\$ 7.50	\$ 8.25	\$ 9.00	\$ 9.75
Purchase price (in thousands)	\$ 54,414	\$ 59,813	\$ 65,212	\$ 70,610	\$ 76,009	\$ 81,408	\$ 86,806
Goodwill (in thousands)	\$ 3,914	\$ 9,312	\$ 14,711	\$ 20,110	\$ 25,509	\$ 30,907	\$ 36,306

**Estimated Merger and Integration Costs**

The plan to integrate Farmers and NBOH's operations is still being developed. Over the next several months, the specific details of these plans will continue to be refined. Farmers and NBOH are currently in the process of assessing the two companies' personnel, benefit plans, premises, equipment, computer systems, attorneys and service contracts to determine where they may take advantage of redundancies or where it will be beneficial or necessary to convert to one system. Certain decisions arising from these assessments may involve involuntary termination of Farmers and

NBOH's employees, changing information systems, canceling contracts between Farmers or NBOH and certain service providers and selling or otherwise disposing of certain premises, furniture and equipment owned by Farmers or NBOH. Farmers and NBOH expect to incur merger-related expenses including or related to system conversion costs, legal fees, accounting fees, investment banking fees, employee retention and severance agreements, communications to customers, and others. To the extent there are costs associated with these actions, the costs will be recorded based on the nature and timing of these integration



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actions. Most acquisition and restructuring costs are recognized separately from a business combination and generally will be expensed as incurred. Farmers estimates Merger-related costs to total approximately \$3.5 million on an after-tax basis. A significant portion of such costs are expected to be incurred in the years ending December 31, 2015. Merger costs are expected to have no material impact on the combined company's liquidity, while merger costs specifically related to a reduction in staff levels, termination of contracts, and a reduction in operating space requirements are expected to lower operating expenses and therefore improve earnings in future periods. Farmers statements regarding its estimated Merger and integration costs and any cost savings that may be achieved are forward-looking statements, should not be relied upon, and are not reflected in the accompanying pro forma financial information.

**Pro Forma Adjustments**

The following pro forma adjustments have been reflected in the unaudited condensed combined consolidated financial statements presented for Farmers and NBOH. All taxable adjustments were calculated using a 35% tax rate to arrive at deferred tax asset or liability adjustments. All adjustments are based on current assumptions and valuations, which are subject to change. The adjustments are presented in thousands, with the exception of per share amounts.

A Adjustments to available for sale securities: Farmers expects to sell investment securities available for sale to provide cash for buyer and seller deal expenses and for purposes of cashing out stock options.

To reflect estimated seller after-tax deal expenses	\$ (870)
To reflect estimated buyer after-tax deal expenses	(2,632)
To reflect cash consideration of NBOH outstanding shares	(14,342)
To reflect cash consideration of 145,671 options outstanding	(2,281)
To reflect tax benefit of stock options	798
	\$ (19,327)

B Loans, including loans held for sale, net of deferred fees and costs were adjusted to reflect the estimated fair value of NBOH's portfolio, including consideration of credit, liquidity and interest rates resulting in a discount on NBOH's portfolio.

C To remove NBOH's allowance at Merger date as the credit risk is contemplated in the fair value adjustment in B above.

D Adjustment to reflect estimated fair value of acquired premises and equipment based on third party estimates. Premises and equipment were adjusted to remove NBOH's purchase accounting adjustment on buildings related to a previous acquisition. The adjustment will be accreted into income over the useful life of the premises.

E Adjustment to goodwill

To eliminate NBOH goodwill	\$ (4,723)
To reflect the creation of goodwill related to the merger	20,110

Net adjustment	\$ 15,387
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F Preliminary estimated fair value of the core deposit intangible to be recorded calculated at 1.5% of NBOH s non-time deposits. The acquired core deposit intangible will be amortized over 10 years using the sum-of-the-years-digits method. The actual amount of such core deposit intangible asset will be determined at the completion of the transaction and will be based on an independent third party appraisal.

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G Adjustment to current and deferred income taxes based on the pro forma fair value adjustments of acquired assets and assumed liabilities and on a calculation of future tax benefits.

Adjustment to loans fair value	(3,439)
Adjustment to allowance for loan losses	4,063
Adjustment to foreclosed assets	(74)
Adjustment to premises and equipment	(873)
Adjustment to core deposit intangible	5,154
Adjustment to deposits	(577)
<b>Subtotal for fair value adjustments</b>	<b>\$ 4,254</b>
Calculated deferred taxes at Farmers estimated statutory rate 35%	\$ (1,489)

H Negative adjustment of \$74 to reflect the estimated fair value of foreclosed and repossessed assets based on third party estimates adjusted for estimated costs to sell. Subsequent to the completion of the transaction, Farmers will finalize its determination of the fair value of the acquired foreclosed and repossessed property which could significantly change the estimated purchase accounting adjustments.

I Adjustments to the fair value of time deposits to reflect the current market rate of interest for similar products. The adjustment will be accreted into income over the estimated lives of the deposits.

J Adjustment to common shares

To eliminate NBOH common shares	\$ (11,447)
To reflect issuance of FMNB common shares to NBOH shareholders	53,987
<b>Net adjustment</b>	<b>\$ 42,540</b>

K NBOH s additional paid-in-capital of \$5,005 was eliminated.

L Adjustments to retained earnings

To eliminate NBOH historical retained earnings	\$ (34,767)
Estimated buyer after-tax merger expenses	(2,632)
<b>Net adjustment</b>	<b>\$ (37,399)</b>

M To reflect the elimination of NBOH other comprehensive income.

N To reflect the elimination of NBOH treasury stock.

O Farmers has evaluated the acquired loan portfolio to estimate the necessary interest rate and credit risk fair value adjustments. Subsequently, the fair value adjustment will be accreted into earnings using the level yield method. For purposes of the pro forma impact, the net discount accretion was estimated using a period of 4.6 years.

P Adjustment to reflect lost interest due to sale of securities to provide cash for the transaction.

Q Adjustment to reflect the estimated fair value of time deposits based on the current market rate of interest for comparable deposits. The fair value adjustment will be accreted into earnings as a reduction of the cost of funds over 1.2 years.

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R Adjustment to amortize the acquired core deposit intangible asset over 10 years by the sum of the years digits method

S Adjustment to reflect the income tax effect of pro forma adjustments at NBOH's assumed income tax rate of 35%.

T Preliminary Purchase Accounting Allocation: The unaudited pro forma condensed combined financial information reflects the issuance of 7,198,250 of Farmers common shares totaling \$54.0 million and cash consideration totaling \$16.6 million for a total consideration of \$70.6 million. The Merger will be accounted for using the acquisition method of accounting; accordingly Farmers cost to acquire NBOH will be allocated to the assets (including identifiable intangible assets) and liabilities of NBOH at their respective estimated fair values as of the merger date. Accordingly, the pro forma purchase price was preliminarily allocated to the assets acquired and liabilities assumed based on their estimated fair values as summarized in the following table:

To reflect goodwill created, net of tax	
Fair value of consideration	\$ 70,610
Fair value of assets acquired:	
Cash and due from financial institutions	\$ 28,901
Securities available for sale	77,865
Net loans	399,206
Loans held for sale	479
Premises and equipment	7,964
Bank owned life insurance	2,856
Core deposit intangible	5,154
Other assets	6,591
Total assets	\$ 529,016
Fair value of liabilities assumed:	
Deposits	418,909
Short-term borrowings	16,505
Long-term borrowings	38,000
Accrued interest payable and other liabilities	5,102
Total liabilities	\$ 478,516
Net assets acquired	50,500
Goodwill created	20,110
Total net assets acquired	\$ 70,610



**Table of Contents****UNAUDITED COMPARATIVE PER SHARE DATA**

The following table summarizes selected share and per share information about Farmers and NBOH giving effect to the Merger (which is referred to as pro forma information). The data in the table should be read together with the financial information and the financial statements of Farmers and NBOH incorporated by reference or included in this joint proxy statement/prospectus. The pro forma information is presented as an illustration only. The data does not necessarily indicate the combined financial position per share or combined results of operations per share that would have been reported if the Merger had occurred when indicated, nor is the data a forecast of the combined financial position or combined results of operations for any future period.

The information about book value per share and shares outstanding assumes that the Merger took place as of the dates presented and is based on the assumptions set forth in the preceding unaudited pro forma condensed combined consolidated balance sheet. The information about dividends and earnings per share assumes that the Merger took place as of the periods presented and is based on the assumptions set forth in the preceding unaudited pro forma condensed combined consolidated income statement. No pro forma adjustments have been included to reflect potential effects of the Merger related to integration expenses, cost savings or operational synergies which are expected to be obtained by combining the operations of Farmers and NBOH, or the costs of combining the companies and their operations. It is further assumed that Farmers will pay a cash dividend after the completion of the Merger at the annual rate of \$0.12 per common share. The actual payment of dividends is subject to numerous factors, and no assurance can be given that Farmers will pay dividends following the completion of the Merger or that dividends will not be reduced in the future.

	<b>Farmers Historical</b>	<b>NBOH Historical</b>	<b>Pro Forma Combined<sup>(1)(2)(3)</sup></b>	<b>Equivalent Pro Forma NBOH<sup>(4)</sup></b>
<b>Basic Net Income Per Common Share</b>				
Year Ended December 31, 2014	\$ 0.48	\$ 2.65	\$ 0.57	\$ 2.30
<b>Diluted Net Income Per Common Share</b>				
Year Ended December 31, 2014	\$ 0.48	\$ 2.62	\$ 0.57	\$ 2.30
<b>Dividends Declared Per Common Share</b>				
Year Ended December 31, 2014	\$ 0.12	\$ 0.40	\$ 0.12	\$ 0.48
<b>Book Value Per Common Share</b>				
December 31, 2014	\$ 6.71	\$ 23.57	\$ 6.83	\$ 27.55

- (1) The pro forma combined book value per Farmers common share is based on the pro forma combined common shareholders equity for the merged entities divided by total pro forma common shares of the combined entities.
- (2) Pro forma dividends per share represent Farmers historical dividends per common share.
- (3) The pro forma combined diluted net income per Farmers common share is based on the pro forma combined diluted net income for the merged entities divided by total pro forma diluted common shares of the combined entities.
- (4) Represents the Pro Forma Combined information multiplied by the 4.034 exchange ratio.





**Table of Contents****MARKET PRICE AND DIVIDEND INFORMATION**

Farmers' common shares are traded on the Nasdaq under the symbol FMNB. NBOH's common shares are traded on the OTCQX marketplace under the symbol NBOH. The OTCQX marketplace is a regulated quotation service that displays real-time quotes, last-sale prices, and volume information in over-the-counter equity securities.

A summary of the high and low prices of and cash dividends paid on NBOH and Farmers common shares for the first quarter and second quarter of 2015 and for the fiscal years ending 2014 and 2013 follows. This information does not reflect retail mark-up, markdown or commissions, and does not necessarily represent actual transactions.

	High	NBOH Low	Dividends	High	Farmers Low	Dividends
<b>2015</b>						
First Quarter	\$ 32.25	\$ 22.60	\$ 0.10	\$ 8.45	\$ 7.09	\$ 0.03
Second Quarter (through May 7)	\$ 32.55	\$ 32.00		\$ 8.44	\$ 7.95	
<b>2014</b>						
First Quarter	\$ 20.96	\$ 19.07	\$ 0.10	\$ 7.75	\$ 6.53	\$ 0.03
Second Quarter	21.41	19.32	0.10	7.89	7.35	0.03
Third Quarter	22.55	20.82	0.10	8.71	7.10	0.03
Fourth Quarter	23.90	21.16	0.10	8.68	7.40	0.03
<b>2013</b>						
First Quarter	\$ 17.85	\$ 14.67	\$ 0.08	\$ 6.90	\$ 6.13	\$ 0.03
Second Quarter	17.74	14.67	0.08	6.70	5.81	0.03
Third Quarter	18.58	17.39	0.08	6.58	6.10	0.03
Fourth Quarter	24.45	18.19	0.08	6.59	6.11	0.03

On January 26, 2015, the last trading day prior to the announcement of the Merger, the closing price of NBOH's common shares was \$23.00. The information presented in the following table reflects the last reported sale prices per share of Farmers' common shares as of January 26, 2015, the last trading day preceding our public announcement of the Merger, and on May 7, 2015, the last practicable day for which information was available prior to the date of this joint proxy statement/prospectus. The table also presents the equivalent market value per NBOH common share on January 26, 2015, and May 7, 2015, determined by multiplying the share price of a Farmers common share on such dates by the exchange ratio of 4.034. No assurance can be given as to what the market price of Farmers' common shares will be if and when the Merger is consummated.

	Farmers Common Shares	Equivalent Price Per NBOH Common Share
January 26, 2015	\$ 7.50	\$ 30.26
May 7, 2015	\$ 8.15	\$ 32.88

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**Table of Contents****RISK FACTORS**

*In addition to general investment risks and the other information contained in or incorporated by reference into this joint proxy statement/prospectus, including the matters addressed under the section FORWARD-LOOKING STATEMENTS commencing on page 35, you should carefully consider the following risk factors in deciding how to vote for the proposals presented in this joint proxy statement/prospectus. The following is a discussion of the most significant factors that make an investment in Farmers common shares speculative or risky, but does not purport to present an exhaustive description of such risks. You should also consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. See WHERE YOU CAN FIND MORE INFORMATION in the forepart of this document.*

**Risks Related to the Merger**

***The market value of Farmers common shares you receive in the Merger may decrease if there are fluctuations in the market price of Farmers common shares following the Merger.***

Under the terms of the Merger Agreement, shareholders of NBOH will be entitled to receive from Farmers, after the Merger is completed, Merger consideration payable in the form of cash and Farmers common shares to be calculated as set forth in the Merger Agreement. At the Effective Time of the Merger, each NBOH common share will be converted into the right to receive: (i) 4.034 Farmers common shares, or (ii) \$32.15 in cash, subject to adjustment under certain circumstances set forth in the Merger Agreement.

Farmers will not issue any fractional shares of common shares in connection with the Merger. Instead, each holder of NBOH common shares who would otherwise be entitled to receive a fraction of a Farmers common share (after taking into account all shares of NBOH common shares owned by such holder at the effective time of the Merger) will receive cash, without interest, in an amount equal to the Farmers fractional common share to which such holder would otherwise be entitled multiplied by the volume-weighted average, rounded to the nearest one tenth of a cent, of the closing sale prices of Farmers common shares based on information reported by the Nasdaq for the five (5) trading days trading days immediately preceding the effective date of the Merger.

Any change in the market price of Farmers common shares prior to the completion of the Merger will affect the market value of the Merger consideration that NBOH shareholders will receive following completion of the Merger. Stock price changes may result from a variety of factors that are beyond the control of Farmers and NBOH, including but not limited to general market and economic conditions, changes in their respective businesses, operations and prospects and regulatory considerations. Therefore, at the time of the NBOH special meeting, NBOH shareholders will not know the precise market value of the consideration they will receive at the effective time of the Merger. NBOH shareholders should obtain current sale prices for Farmers common shares before voting their shares at the NBOH special meeting.

***Farmers could experience difficulties in managing its growth and effectively integrating the operations of NBOH.***

The earnings, financial condition and prospects of Farmers after the Merger will depend in part on Farmers ability to integrate successfully the operations of NBOH and FNB, and to continue to implement its own business plan. Farmers may not be able to fully achieve the strategic objectives and projected operating efficiencies anticipated in the Merger. The costs or difficulties relating to the integration of NBOH and FNB with the Farmers organization may be greater than expected or the cost savings from any anticipated economies of scale of the combined organization may be lower or take longer to realize than expected. Inherent uncertainties exist in integrating the operations of any acquired entity, and Farmers may encounter difficulties, including, without limitation, loss of key employees and customers, and the

disruption of its ongoing business or possible inconsistencies in standards, controls, procedures and policies. These factors could contribute to Farmers not fully achieving the expected benefits from the Merger.

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***The Merger Agreement limits NBOH's ability to pursue alternatives to the Merger with Farmers, may discourage other acquirers from offering a higher valued transaction to NBOH and may, therefore, result in less value for the NBOH shareholders.***

The Merger Agreement contains a provision that, subject to certain limited exceptions, prohibits NBOH from soliciting, negotiating, or providing confidential information to any third party relating to any competing proposal to acquire NBOH or FNB.

In addition, if (a) Farmers terminates the Merger Agreement due to NBOH's acceptance of another acquisition proposal, failure to recommend to the shareholders adoption of the Merger Agreement, or NBOH's breach of the Merger Agreement's prohibition on solicitation of other acquisition proposals, or, (b) NBOH terminates the Merger Agreement with the intention of entering into or accepting an alternate, superior proposal, then, in the case of either (a) or (b) above, NBOH shall pay to Farmers \$2.5 million. The requirement that NBOH make such a payment could discourage another company from making a competing proposal.

***The fairness opinions of Farmers and NBOH's respective financial advisors do not reflect changes in circumstances subsequent to the date of such opinions.***

Each of the NBOH and Farmers boards of directors received an opinion, dated January 27, 2015, from NBOH's and Farmers' respective financial advisor as to the fairness of the Merger consideration from a financial point of view as of the date of such opinion. Subsequent changes in the operation and prospects of NBOH or Farmers, general market and economic conditions and other factors that may be beyond the control of NBOH or Farmers may significantly alter the value of NBOH or Farmers or the prices of the NBOH common shares or the Farmers common shares by the time the Merger is completed. The opinions do not address the fairness of the Merger consideration from a financial point of view at the time the Merger is completed, or as of any other date other than the date of such opinions. The opinion of NBOH's financial advisor is attached as Annex C to this joint proxy statement/prospectus, and the opinion of Farmers' financial advisor is attached as Annex D. For a description of the opinions, see *THE MERGER Opinion of NBOH's Financial Advisor* on page 51 and *THE MERGER Opinion of Farmers' Financial Advisor* on page 59 of this joint proxy statement/prospectus.

***Farmers and NBOH shareholders will have a reduced ownership and voting interest after the Merger and will exercise less influence over management of the combined organization.***

The Merger will dilute the ownership position of Farmers' shareholders and result in NBOH's shareholders having an ownership stake in the combined company that is smaller than their current stake in NBOH. Upon completion of the Merger, we estimate that continuing Farmers shareholders will own approximately 71.9% of the issued and outstanding common shares of the combined company, and former NBOH shareholders will own approximately 28.1% of the issued and outstanding common shares of the combined company. Consequently, Farmers shareholders and NBOH shareholders, as a general matter, will have less influence over the management and policies of the combined company after the effective time of the Merger than they currently exercise over the management and policies of Farmers and NBOH, respectively.

***Failure to complete the Merger could negatively impact the value of NBOH's shares and future businesses and financial results of Farmers and NBOH.***

If the Merger is not completed, the ongoing businesses of Farmers and NBOH may be adversely affected, and Farmers and NBOH will be subject to several risks, including the following:

Farmers and NBOH will be required to pay certain costs relating to the Merger, whether or not the Merger is completed, such as legal, accounting, financial advisor and printing fees;

under the Merger Agreement, NBOH is subject to certain restrictions regarding the conduct of its business before completing the Merger, which may adversely affect its ability to execute certain of its business strategies; and

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matters relating to the Merger may require substantial commitments of time and resources by Farmers and NBOH management, which could otherwise have been devoted to other opportunities that may have been beneficial to Farmers and NBOH as independent companies, as the case may be.

In addition, if the Merger is not completed, Farmers and NBOH may experience negative reactions from their respective customers and employees. Employees could resign and obtain other employment as a result of the potential Merger or a failed completion of the Merger. Farmers or NBOH also could be subject to litigation related to any failure to complete the Merger.

***The Farmers common shares to be received by NBOH shareholders upon completion of the Merger will have different rights from NBOH common shares.***

Upon completion of the Merger, NBOH shareholders will no longer be shareholders of NBOH but will instead become shareholders of Farmers, and their rights as shareholders of Farmers will be governed by the Ohio Revised Code and by Farmers Amended Articles of Incorporation and Amended Code of Regulations. The terms of Farmers Amended Articles of Incorporation and Amended Code of Regulations are in some respects materially different than the terms of NBOH s Amended Articles of Incorporation and Code of Regulations. See *COMPARISON OF CERTAIN RIGHTS OF NBOH AND FARMERS SHAREHOLDERS* on page 84 of this joint proxy statement/prospectus.

***Completion of the Merger is subject to many conditions and if these conditions are not satisfied or waived, the Merger will not be completed.***

The respective obligations of Farmers and NBOH to complete the Merger are subject to the fulfillment or written waiver of many conditions, including approval by the requisite vote of Farmers and NBOH shareholders, respectively, receipt of requisite regulatory approvals, absence of orders prohibiting completion of the Merger, effectiveness of the registration statement of which this document is a part, approval of the Farmers shares to be issued to NBOH for listing on the Nasdaq, the continued accuracy of the representations and warranties by both parties, and the performance by both parties of their covenants and agreements. See *THE MERGER AGREEMENT Conditions to the Merger* on page 80 of this joint proxy statement/prospectus. These conditions to the consummation of the Merger may not be fulfilled and, accordingly, the Merger may not be completed. In addition, if the Merger is not completed by January 27, 2016, either Farmers or NBOH may have the opportunity to choose not to proceed with the Merger, and the parties can mutually decide to terminate the Merger Agreement at any time, before or after approval by the requisite vote of the NBOH shareholders. In addition, Farmers or NBOH may elect to terminate the Merger Agreement in certain other circumstances. See *THE MERGER AGREEMENT Termination; Termination Fee* on page 81 of this joint proxy statement/prospectus for a fuller description of these circumstances.

**Risks Related to Farmers Business**

You should read and consider risk factors specific to Farmers business that will also affect the combined company after the Merger, described in Farmers Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as amended by the Form 10-K/A filed with the Commission on April 27, 2015, and as updated by subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed by Farmers with the SEC and incorporated by reference into this document. See *INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE* on page 116 of this joint proxy statement/prospectus.

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**FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus and the documents incorporated herein by reference contain forward-looking statements, including statements about Farmers, NBOH and the combined entity's financial condition, results of operations, earnings outlook, asset quality trends and profitability. Forward-looking statements express Farmers and NBOH's management's current expectations or forecasts of future events and, by their nature, are subject to assumptions, risks and uncertainties. Certain statements contained in this joint proxy statement/prospectus and the documents incorporated herein by reference that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, or the Reform Act, notwithstanding that such statements are not specifically identified.

In addition, certain statements may be contained in the future filings of Farmers and NBOH with the SEC, in press releases and in oral and written statements made by or with the approval of Farmers or NBOH that are not statements of historical fact and constitute forward-looking statements within the meaning of the Reform Act. Examples of forward-looking statements include, but are not limited to:

statements about the benefits of the Merger between Farmers and NBOH, including future financial and operating results, cost savings, enhanced revenues and accretion to reported earnings that may be realized from the Merger;

statements regarding plans, objectives and expectations of Farmers or NBOH or their respective management or boards of directors;

statements regarding future economic performance; and

statements regarding assumptions underlying any such statements.

Words such as believes, anticipates, expects, intends, targeted, continue, remain, will, should, may expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

the risk that the businesses of Farmers and NBOH will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected;

expected revenue synergies and cost savings from the Merger may not be fully realized or realized within the expected time frame;

revenues or earnings following the Merger may be lower than expected;

deposit attrition, operating costs, customer loss and business disruption following the Merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected;

the inability to obtain governmental approvals of the Merger on the proposed terms and schedule;

the failure of Farmers or NBOH's shareholders to approve the Merger;

local, regional, national and international economic conditions and the impact they may have on Farmers and its customers and Farmers' assessment of that impact;

changes in the level of non-performing assets, delinquent loans and charge-offs;

material changes in the value of Farmers' common shares;

changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;



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the risk that management's assumptions and estimates used in applying critical accounting policies prove unreliable, inaccurate or not predictive of actual results;

inflation, interest rate, securities market and monetary fluctuations;

changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity;

competitive pressures among depository and other financial institutions may increase and have an effect on pricing, spending, third-party relationships and revenues;

changes in laws and regulations (including laws and regulations concerning taxes, banking and securities) with which Farmers and NBOH must comply;

the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve;

legislation affecting the financial services industry as a whole, and/or Farmers and its subsidiaries, individually or collectively;

governmental and public policy changes; and

the impact on Farmers' businesses, as well as on the risks set forth above, of various domestic or international military or terrorist activities or conflicts.

Additional factors that could cause Farmers' and NBOH's results to differ materially from those described in the forward-looking statements can be found in Farmers' Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters and attributable to Farmers or NBOH or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made. Farmers and NBOH undertake no obligation to update any forward-looking statement.

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**THE SPECIAL MEETING OF SHAREHOLDERS OF NBOH**

**Time, Date and Place**

This joint proxy statement/prospectus is being provided to NBOH shareholders in connection with the solicitation of proxies by the NBOH board of directors for use at the special meeting of shareholders to be held at 10:00 a.m., local time, on June 12, 2015, at the Operations Center of the First National Bank of Orrville at 1444 N. Main Street, Orrville, Ohio 44667, including any adjournments of the special meeting.

This joint proxy statement/prospectus is also being furnished by Farmers to NBOH shareholders as a prospectus in connection with the issuance of Farmers common shares upon completion of the Merger.

**Matters to be Considered**

At the special meeting, the shareholders of NBOH will be asked to consider and vote upon the following matters:

a proposal to adopt and approve the Merger Agreement;

a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event there are not sufficient votes at the time of the special meeting to adopt and approve the Merger Agreement; and

any other business which properly comes before the special meeting or any adjournment or postponement of the special meeting. The board of directors of NBOH is unaware of any other business to be transacted at the special meeting.

The board of directors of NBOH believes that the Merger with Farmers is in the best interests of NBOH shareholders and recommends that you vote (1) **FOR** the adoption and approval of the Merger Agreement and (2) **FOR** the proposal to adjourn the special meeting of NBOH shareholders, if necessary, to solicit additional proxies.

**Record Date; Shares Outstanding and Entitled to Vote**

The board of directors of NBOH has fixed the close of business on May 8, 2015, as the record date for determining the NBOH shareholders who are entitled to notice of and to vote at the NBOH special meeting of shareholders. Only holders of NBOH common shares at the close of business on the record date will be entitled to notice of and to vote at the NBOH special meeting.

As of the close of business on May 7, 2015, there were 2,233,694 NBOH common shares outstanding and entitled to vote at the special meeting. The NBOH common shares were held of record by approximately 739 shareholders. Each NBOH common share entitles the holder to one vote on all matters properly presented at the special meeting.

**Votes Required; Quorum**

Under NBOH's Amended Articles of Incorporation, as amended, the adoption and approval of the Merger Agreement requires the affirmative vote of the holders of at least two-thirds of the NBOH common shares outstanding and

entitled to vote at the special meeting. Approval of an adjournment of the special meeting requires the affirmative vote of the holders of a majority of NBOH s common shares represented, in person or by proxy, at the special meeting.

As of May 7, 2015, directors of NBOH beneficially owned an aggregate of 544,329 NBOH common shares, an amount equal to approximately 24.4% of the outstanding NBOH common shares. Certain of the directors of NBOH entered into the Voting Agreements with Farmers pursuant to which they agreed, up to a collective maximum of 19.9% of NBOH s outstanding common shares and subject to certain other terms

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and conditions, to vote their shares in favor of the adoption and approval of the Merger Agreement. As of the date of this joint proxy statement/prospectus, Farmers and its directors, executive officers and affiliates beneficially owned no NBOH common shares.

Your vote is important. The adoption and approval of the Merger Agreement requires the affirmative vote of the holders of at least two-thirds of the NBOH common shares outstanding and entitled to vote at the NBOH special meeting. The proposal to approve adjournment of the NBOH special meeting, if necessary, to solicit additional proxies requires the affirmative vote of at least a majority of the NBOH common shares represented in person or by proxy at the NBOH special meeting. Brokers who hold NBOH common shares in street name for the beneficial owners cannot vote these NBOH common shares on any of the proposals without specific instructions from the beneficial owners. If you fail to return your proxy card or vote in person at the special meeting or if you mark **ABSTAIN** on your proxy card or ballot at the special meeting, or if your NBOH common shares are held in street name and you fail to instruct your broker how to vote, it will have the same effect as a vote **AGAINST** the adoption and approval of the Merger Agreement, but will have no effect on the other proposal.

A quorum, consisting of the holders of a majority of the outstanding NBOH common shares, must be present in person or by proxy at the NBOH special meeting before any action, other than the adjournment of the special meeting, can be taken. A properly executed proxy card marked **ABSTAIN** will be counted for purposes of determining whether a quorum is present.

The NBOH board of directors does not expect any matter other than the adoption and approval of the Merger Agreement and, if necessary, the approval of the adjournment of the special meeting to solicit additional proxies, to be brought before the NBOH special meeting. If any other matters are properly brought before the special meeting for consideration, NBOH common shares represented by properly executed proxy cards will be voted, to the extent permitted by applicable law, in the discretion of the persons named in the proxy card in accordance with their best judgment.

## **Solicitation and Revocation of Proxies**

A proxy card accompanies each copy of this joint proxy statement/prospectus mailed to NBOH shareholders. Your proxy is being solicited by the board of directors of NBOH. Whether or not you attend the special meeting, the NBOH board of directors urges you to return your properly executed proxy card as soon as possible. If you return your properly executed proxy card prior to the special meeting and do not revoke it prior to its use, the NBOH common shares represented by that proxy card will be voted at the special meeting or, if appropriate, at any adjournment of the special meeting. NBOH's common shares will be voted as specified on the proxy card or, in the absence of specific instructions to the contrary, will be voted **FOR** the adoption and approval of the Merger Agreement and **FOR** the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies.

If you have returned a properly executed proxy card, you may revoke it at any time before a vote is taken at the special meeting by:

filing a written notice of revocation with the Chief Financial Officer of NBOH, at 112 West Market Street, Orrville, Ohio 44667;

executing and returning another proxy card with a later date; or

attending the special meeting and giving notice of revocation in person.

***Your attendance at the special meeting will not, by itself, revoke your proxy.***

If you hold your NBOH common shares in street name through a broker, bank or other nominee, you must provide your broker, bank or nominee (the record holder of your common shares) with instructions on how to

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vote your common shares. Your broker, bank or other nominee will provide you with a proxy card and voting instructions. If you have instructed your broker, bank or other nominee to vote your common shares, you must follow the directions received from your broker, bank or other nominee to change or revoke your vote.

NBOH will bear its own cost of solicitation of proxies on behalf of the NBOH board of directors. Proxies will be solicited by mail, and may be further solicited by additional mailings, personal contact, telephone, facsimile or electronic mail, by directors, officers and employees of NBOH, none of whom will receive additional compensation for their solicitation activities. NBOH has also engaged Georgeson Inc., a proxy soliciting firm, to assist in the solicitation of proxies for a fee of \$9,000, \$6.00 per successful telephone contact with a shareholder, an additional \$4.50 for a telephone vote received and reimbursement of out-of-pocket expenses. NBOH will also pay the standard charges and expenses of brokerage houses, voting trustees, banks, associations and other custodians, nominees and fiduciaries, who are record holders of NBOH common shares not beneficially owned by them, for forwarding this joint proxy statement/prospectus and other proxy solicitation materials to, and obtaining proxies from, the beneficial owners of NBOH common shares entitled to vote at the special meeting.

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**PROPOSALS SUBMITTED TO NBOH SHAREHOLDERS**

**NBOH Merger Proposal**

As discussed throughout this joint proxy statement/prospectus, NBOH is asking its shareholders to adopt and approve the Merger Agreement. NBOH shareholders should carefully read this document in its entirety for more detailed information regarding the Merger Agreement and the Merger. In particular, shareholders are directed to the copy of the Merger Agreement attached as Annex B to this joint proxy statement/prospectus.

*The board of directors of NBOH recommends a vote **FOR** the approval and adoption of the Merger Agreement.*

**NBOH Adjournment Proposal**

The NBOH special meeting may be adjourned to another time or place, if necessary or appropriate, to permit, among other things, the solicitation of additional proxies if there are insufficient votes at the time of the NBOH special meeting to approve and adopt the Merger Agreement. If, at the time of the NBOH special meeting, the number of common shares of NBOH present or represented and voting in favor of the Merger Agreement proposal is insufficient to approve and adopt the Merger Agreement, NBOH intends to move to adjourn the NBOH special meeting in order to enable the NBOH board of directors to solicit additional proxies for approval of the proposal. In that event, NBOH will ask the NBOH shareholders to vote only upon the adjournment proposal and not the merger proposal or the proposal on the specified compensation.

In the NBOH adjournment proposal, NBOH is asking its shareholders to authorize the holder of any proxy solicited by the NBOH board of directors to vote in favor of granting discretionary authority to the proxy holders to adjourn the NBOH special meeting to another time and place for the purpose of soliciting additional proxies. If the NBOH shareholders approve the adjournment proposal, NBOH could adjourn the NBOH special meeting and any adjourned session of the NBOH special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from NBOH shareholders who have previously voted.

*The NBOH board of directors recommends a vote **FOR** the NBOH adjournment proposal.*

**Other Matters to Come Before the NBOH Special Meeting**

No other matters are intended to be brought before the NBOH special meeting by NBOH, and NBOH does not know of any matters to be brought before the NBOH special meeting by others. If, however, any other matters properly come before the NBOH special meeting, the persons named in the proxy will vote the shares represented thereby in accordance with their best judgment on any such matter.

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**THE SPECIAL MEETING OF SHAREHOLDERS OF FARMERS**

**Time, Date and Place**

This joint proxy statement/prospectus is being provided to Farmers shareholders in connection with the solicitation of proxies by the Farmers board of directors for use at the special meeting of shareholders to be held at 10.00 a.m., local time, on June 12, 2015, at Farmers main office at 20 South Broad Street, Canfield, Ohio 44406, including any adjournments of the special meeting.

**Matters to be Considered**

At the special meeting, the shareholders of Farmers will be asked to consider and vote upon the following matters:

a proposal to adopt and approve the Merger Agreement;

a proposal to approve the issuance of up to 7,668,359 Farmers common shares to be issued in connection with the Merger;

a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event there are not sufficient votes at the time of the special meeting to adopt and approve the Merger Agreement; and

any other business which properly comes before the special meeting or any adjournment or postponement of the special meeting. The board of directors of Farmers is unaware of any other business to be transacted at the special meeting.

The board of directors of Farmers believes that the Merger with Farmers is in the best interests of Farmers shareholders and recommends that you vote (1) **FOR** the adoption and approval of the Merger Agreement, (2) **FOR** the approval of the issuance of common shares, and (3) **FOR** the proposal to adjourn the special meeting of Farmers shareholders, if necessary, to solicit additional proxies.

**Record Date; Shares Outstanding and Entitled to Vote**

The board of directors of Farmers has fixed the close of business on May 8, 2015, as the record date for determining the Farmers shareholders who are entitled to notice of and to vote at the Farmers special meeting of shareholders. Only holders of Farmers common shares at the close of business on the record date will be entitled to notice of and to vote at the Farmers special meeting.

As of the close of business on May 7, 2015, there were 18,408,612 Farmers common shares outstanding and entitled to vote at the special meeting. The Farmers common shares were held of record by approximately 3,118 shareholders. Each Farmers common share entitles the holder to one vote on all matters properly presented at the special meeting.

**Votes Required; Quorum**



Under Farmers' Amended Articles of Incorporation, the adoption and approval of the Merger Agreement requires the affirmative vote of the holders of not less than two-thirds of the Farmers common shares outstanding and entitled to vote at the special meeting. Approval of the issuance of common shares or an adjournment of the special meeting requires the affirmative vote of the holders of a majority of Farmers' common shares represented, in person or by proxy, at the special meeting.

As of May 7, 2015, directors, executive officers and greater than 5% beneficial owners of Farmers owned an aggregate of 2,105,217 Farmers common shares, an amount equal to approximately 11.44% of the outstanding Farmers common shares. As of the date of this joint proxy statement/prospectus, Farmers and its directors, executive officers and affiliates beneficially owned no NBOH common shares.

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Your vote is important. The adoption and approval of the Merger Agreement requires the affirmative vote of the holders of not less than two-thirds of the Farmers common shares outstanding and entitled to vote at the Farmers special meeting. The issuance of common shares requires the affirmative vote of the holders of a majority of Farmers common shares represented, in person or by proxy, at the special meeting. Brokers who hold Farmers common shares in street name for the beneficial owners cannot vote these Farmers common shares on the adoption and approval of the Merger Agreement without specific instructions from the beneficial owners. If you fail to vote or if you mark **ABSTAIN** on your proxy card, or if your Farmers common shares are held in street name and you fail to instruct your broker how to vote, it will have the same effect as a vote **AGAINST** the adoption and approval of the Merger Agreement.

A quorum, consisting of the holders of a majority of the outstanding Farmers common shares, must be present in person or by proxy at the Farmers special meeting before any action, other than the adjournment of the special meeting, can be taken. A properly executed proxy card marked **ABSTAIN** will be counted for purposes of determining whether a quorum is present.

The Farmers board of directors does not expect any matters other than the adoption and approval of the Merger Agreement, the approval of the issuance of common shares and, if necessary, the approval of the adjournment of the special meeting to solicit additional proxies, to be brought before the Farmers special meeting. If any other matters are properly brought before the special meeting for consideration, Farmers common shares represented by properly executed proxy cards will be voted, to the extent permitted by applicable law, in the discretion of the persons named in the proxy card in accordance with their best judgment.

## **Solicitation and Revocation of Proxies**

A proxy card accompanies each copy of this joint proxy statement/prospectus mailed to Farmers shareholders. Your proxy is being solicited by the board of directors of Farmers. Whether or not you attend the special meeting, the Farmers board of directors urges you to return your properly executed proxy card as soon as possible. If you return your properly executed proxy card prior to the special meeting and do not revoke it prior to its use, the Farmers common shares represented by that proxy card will be voted at the special meeting or, if appropriate, at any adjournment of the special meeting. Farmers common shares will be voted as specified on the proxy card or, in the absence of specific instructions to the contrary, will be voted **FOR** the adoption and approval of the Merger Agreement, **FOR** the approval of the issuance of common shares and **FOR** the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies.

If you have returned a properly executed proxy card, you may revoke it at any time before a vote is taken at the special meeting by:

filing a written notice of revocation with the Secretary of Farmers, at 20 South Broad Street, Canfield, Ohio 44406;

executing and returning another proxy card with a later date; or

attending the special meeting and giving notice of revocation in person.

***Your attendance at the special meeting will not, by itself, revoke your proxy.***

If you hold your Farmers common shares in street name through a broker, bank or other nominee, you must provide your broker, bank or nominee (the record holder of your common shares) with instructions on how to vote your common shares. Your broker, bank or other nominee will provide you with a proxy card and voting instructions. If you have instructed your broker, bank or other nominee to vote your common shares, you must follow the directions received from your broker, bank or other nominee to change or revoke your vote.

Farmers will bear its own cost of solicitation of proxies on behalf of the Farmers board of directors. Proxies will be solicited by mail, and may be further solicited by additional mailings, personal contact, telephone, facsimile or electronic mail, by directors, officers and employees of Farmers, none of whom will receive

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additional compensation for their solicitation activities. Farmers has also engaged Morrow & Co., LLC, a proxy soliciting firm, to assist in the solicitation of proxies for a fee of \$9,000 to solicit shareholders and reimbursement of reasonable out-of-pocket expenses. Farmers will also pay the standard charges and expenses of brokerage houses, voting trustees, banks, associations and other custodians, nominees and fiduciaries, who are record holders of Farmers common shares not beneficially owned by them, for forwarding this joint proxy statement/prospectus and other proxy solicitation materials to, and obtaining proxies from, the beneficial owners of Farmers common shares entitled to vote at the special meeting.

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**PROPOSALS SUBMITTED TO FARMERS SHAREHOLDERS**

**Farmers Merger Proposal**

As discussed throughout this joint proxy statement/prospectus, Farmers is asking its shareholders to adopt and approve the Merger Agreement. Farmers shareholders should read this document carefully in its entirety for more detailed information regarding the Merger Agreement and the Merger. In particular, shareholders are directed to the copy of the Merger Agreement attached as Annex B to this joint proxy statement/prospectus.

*The board of directors of Farmers recommends a vote **FOR** the approval and adoption of the Merger Agreement.*

**Farmers Common Shares Issuance Proposal**

Farmers is also asking its shareholders to consider and vote on the proposal to issue up to 7,668,359 Farmers common shares in connection with the Merger. **If Farmers shareholders fail to approve the issuance of Farmers common shares, the Merger cannot be completed.** Farmers shareholders should carefully read this joint proxy statement/prospectus in its entirety, including the Annexes, for more detailed information concerning the Merger Agreement and the Merger. A copy of the Merger Agreement is attached to this joint proxy statement/prospectus as Annex B.

Nasdaq Shareholder Voting Rules. Under the Nasdaq, a company listed on the Nasdaq is required to obtain shareholder approval prior to the issuance of common shares, or of securities convertible into or exercisable for common shares, in any transaction or series of related transactions if the number of shares of common shares to be issued is, or will be upon issuance, equal to or in excess of 20% of the number of shares of common shares outstanding before the issuance of the common shares or of securities convertible into or exercisable for common shares. In order to complete the Merger, Farmers will need to issue common shares in excess of 20% of the number of common shares currently outstanding. For this reason, Farmers must obtain the approval of Farmers shareholders for the issuance of Farmers common shares in order to complete the Merger.

*The board of directors of Farmers recommends that its shareholders vote **FOR** the proposal to approve the issuance of up to 7,668,359 Farmers common shares in connection with the Merger.*

**Farmers Adjournment Proposal**

The Farmers special meeting may be adjourned to another time or place, if necessary or appropriate, to permit, among other things, the solicitation of additional proxies if there are insufficient votes at the time of the Farmers special meeting to approve and adopt the Merger Agreement and the issuance of common shares. If, at the time of the Farmers special meeting, the number of common shares of Farmers present or represented and voting in favor of the Merger Agreement proposal is insufficient to approve and adopt the Merger Agreement, Farmers intends to move to adjourn the Farmers special meeting in order to enable the Farmers board of directors to solicit additional proxies for approval of the proposal. In that event, Farmers will ask the Farmers shareholders to vote only upon the adjournment proposal and not the Merger proposal or the proposal on the issuance of common shares.

In the Farmers adjournment proposal, Farmers is asking its shareholders to authorize the holder of any proxy solicited by the Farmers board of directors to vote in favor of granting discretionary authority to the proxy holders to adjourn the Farmers special meeting to another time and place for the purpose of soliciting additional proxies. If the Farmers shareholders approve the adjournment proposal, Farmers could adjourn the Farmers special meeting and any adjourned session of the Farmers special meeting and use the additional time to solicit additional proxies, including

the solicitation of proxies from Farmers shareholders who have previously voted.

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*The Farmers board of directors recommends a vote **FOR** the Farmers adjournment proposal.*

**Other Matters to Come Before the Farmers Special Meeting**

No other matters are intended to be brought before the Farmers special meeting by Farmers, and Farmers does not know of any matters to be brought before the Farmers special meeting by others. If, however, any other matters properly come before the Farmers special meeting, the persons named in the proxy will vote the shares represented thereby in accordance with their best judgment on any such matter.

**DISSENTERS RIGHTS**

**Rights of Dissenting NBOH Shareholders**

Shareholders of NBOH are entitled to certain dissenters rights pursuant to Sections 1701.84(A) and 1701.85 of the OGCL. Section 1701.85 generally provides that shareholders of NBOH will not be entitled to such rights without strict compliance with the procedures set forth in Section 1701.85, and failure to take any one of the required steps may result in the termination or waiver of such rights. Specifically, any NBOH shareholder who is a record holder of NBOH common shares on May 8, 2015, the record date for the NBOH special meeting, and whose shares are not voted in favor of the adoption of the Merger Agreement may be entitled to be paid the fair cash value of such NBOH common shares after the effective time of the Merger. To be entitled to such payment, a shareholder must deliver to NBOH a written demand for payment of the fair cash value of the shares held by such shareholder, before the vote on the Merger proposal is taken, the shareholder must not vote in favor of approval and adoption of the Merger Agreement, and the shareholder must otherwise comply with Section 1701.85. An NBOH shareholder's failure to vote against the adoption and approval of the Merger Agreement will not constitute a waiver of such shareholder's dissenters rights. Any written demand must specify the shareholder's name and address, the number and class of shares held by him, her or it on the NBOH record date, and the amount claimed as the fair cash value of such NBOH common shares. See the text of Section 1701.85 of the OGCL attached as Annex A to this joint proxy statement/prospectus for specific information on the procedures to be followed in exercising dissenters rights.

If NBOH so requests, dissenting shareholders must submit their share certificates to NBOH within 15 days of such request, for endorsement on such certificates by NBOH that a demand for appraisal has been made. Failure to comply with such request will terminate the dissenting shareholders rights. Such certificates will be promptly returned to the dissenting shareholders by NBOH. If NBOH and any dissenting shareholder cannot agree upon the fair cash value of NBOH's common shares, either may, within three months after service of demand by the shareholder, file a petition in the Court of Common Pleas of Wayne County, Ohio, for a determination of the fair cash value of such dissenting shareholder's NBOH common shares. The fair cash value of an NBOH common share to which a dissenting shareholder is entitled to under Section 1701.85 will be determined as of the day prior to the vote of the NBOH shareholders. Investment banker opinions to company boards of directors regarding the fairness from a financial point of view of the consideration payable in a transaction such as the Merger are not opinions regarding, and do not address, fair cash value under Section 1701.85.

If an NBOH shareholder exercises his or her dissenters rights under Section 1701.85, all other rights with respect to such shareholder's NBOH common shares will be suspended until NBOH purchases the shares, or the right to receive the fair cash value is otherwise terminated. Such rights will be reinstated should the right to receive the fair cash value be terminated other than by the purchase of the shares.

The foregoing description of the procedures to be followed in exercising dissenters rights available to holders of NBOH's common shares pursuant to Section 1701.85 of the OGCL may not be complete and is qualified in its entirety

by reference to the full text of Section 1701.85 attached as Annex A to this joint proxy statement/prospectus.



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**THE MERGER**

**The Proposed Merger**

The Merger Agreement provides for the merger of NBOH with and into Farmers (the Merger ), with Farmers as the surviving entity. Thereafter, at a later time specified by Farmers Bank in its certificate of merger filed with the OCC, FNB will be merged with and into Farmers Bank, with Farmers Bank surviving the subsidiary bank merger.

The Merger Agreement is attached to this joint proxy statement/prospectus as Annex B and is incorporated in this joint proxy statement/prospectus by reference. *You are encouraged to read the Merger Agreement carefully, as it is the legal document that governs the Merger.*

**Background of the Merger**

NBOH's board of directors has historically focused on enhancing the profitable growth of FNB and building shareholder value by servicing its community banking customers in its market area.

On June 30, 2014, Kevin Helmick, Farmers' President and Chief Executive Officer, contacted Mr. Witmer proposing a meeting between Farmers and NBOH. On August 8, 2014, Mr. Witmer, NBOH's President and Chief Executive Officer, and Mr. Smail, NBOH's Executive Chairman, met with Farmers' Chairman, Lance Ciroti, and Mr. Helmick, and discussed the two companies' businesses, strategies and market opportunities. During that meeting Farmers representatives expressed an interest in exploring a possible merger between the two institutions. Mr. Witmer subsequently advised Mr. Kropf, the Chairman of NBOH's board of directors, that Messrs. Ciroti and Helmick had approached him on the topic of a merger, and he encouraged Mr. Witmer to continue the conversations.

On August 29, 2014, NBOH and Farmers entered into a mutual non-disclosure agreement to initiate the due diligence process for both organizations. During the months of September and October, 2014, the two companies engaged in high-level preliminary due diligence in order to determine whether there was a basis for further discussions.

On October 16, 2014, the Executive Committee of NBOH's board of directors met and discussed Farmers' interest in a possible merger, and the members present agreed that the matter should be presented to the full board.

On October 21, 2014, NBOH's board of directors held its regular board meeting at which Farmers' interest in a possible merger and the discussions between NBOH and Farmers representatives were discussed and the board authorized further exploratory discussions with Farmers.

Subsequent to that meeting, Mr. Witmer and Mr. Helmick met on October 22, 2014 and engaged in further discussions concerning a potential transaction. Those discussions addressed various matters relating to valuation, including the respective companies' stock price, earnings history and growth expectations, the anticipated synergies and cost savings associated with a merger, the anticipated post-merger organizational structure and the impact of a transaction on NBOH's employees and the communities served by FNB.

On November 4, 2014, Farmers delivered a letter of intent outlining the terms of a proposed transaction to NBOH. The letter of intent contemplated an all-stock transaction at an anticipated valuation range of between approximately \$67.1 million and approximately \$69.4 million, or between \$29.60 and \$30.59 per share, and was subject to the satisfactory completion of confirmatory due diligence and the negotiation and execution of a definitive transaction agreement. The letter of intent also proposed that NBOH would have the right to designate two directors to the board of the combined company, and indicated that Farmers intended to offer Mr. Witmer a senior executive position with

the combined company.

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Following the receipt of the proposed letter of intent, NBOH retained Boenning & Scattergood, Inc. ( Boenning ), to serve as NBOH's financial advisor in connection with a potential transaction with Farmers, and Calfee, Halter & Griswold LLP ( Calfee ) to serve as special legal counsel.

On November 26, 2014, NBOH's board of directors held its regular monthly board meeting. Representatives of Boenning attended the meeting and provided a presentation updating the board on the current state of the M&A market for the banking industry, a summary overview of NBOH relative to its peers, including bank valuations, and summarizing the terms of Farmers' proposal and the financial performance and contributions of Farmers and NBOH to a combined company. A Calfee representative provided a review of the fiduciary and legal obligations applicable to directors when considering a merger transaction. The NBOH board authorized further discussions with Farmers and the commencement of confirmatory due diligence, and after discussions with Boenning, determined to further discuss possible modification of the structure of the transaction set forth in the letter of intent to provide for 20% of the consideration to be payable in cash. Following the board meeting, a revised letter of intent was executed on November 28, 2014.

In early December, Farmers and NBOH established a virtual data room and provided extensive due diligence materials relating to their respective businesses, including financial information, information concerning asset quality, employment arrangements and benefit plans, material contracts, litigation, organizational and regulatory matters, and information relating to stock ownership and equity commitments. During the period from early December 2014 through early January 2015, NBOH and Farmers engaged in mutual due diligence.

On January 8, 2015, Boenning sent Farmers a request, on behalf of NBOH, for an updated letter of intent reflecting the results of the due diligence review. On January 9, Farmers submitted an updated letter of intent with a price of 150% of NBOH's December 31, 2014, tangible book value (\$32.15 or \$74.0 million) and a proposed mix of 80% stock and 20% cash. The exchange ratio would be based on the 20-day volume-weighted-average price of Farmers ending the day prior to signing the definitive agreement. The letter of intent clarified cashing out of options and Farmers' desire to keep key NBOH executives.

On January 15, 2015, NBOH's board met to discuss a potential merger with Farmers. Mr. Helmick and Mr. Cirolini were invited to the meeting and gave a presentation to the board addressing Farmers' views of the benefits of a merger between the two institutions, and its belief that such a transaction would result in a much stronger and sustainable community bank with a significantly more liquid stock. During the course of this presentation, Messrs. Helmick and Cirolini responded to questions concerning Farmers' operations, strategy and expansion plans, how NBOH's operations would contribute to those plans, the potential for long-term value creation associated with the transaction, and Farmers' plans with respect to NBOH's employees and the customers and communities that it serves.

After the Farmers representatives left the meeting, the board engaged in an extended discussion concerning the advisability of moving forward with negotiations on the Farmers proposal. Representatives of Boenning reviewed the financial aspects of the proposal, as well as information regarding the recent trading performance of Farmers stock, its market demographics and comparative performance with its existing peer group and the peer group of larger companies that it would be comparable in size to following a transaction with NBOH. They also updated the board on the status of the M&A market and provided the board with their preliminary perspectives on valuation.

NBOH's directors discussed the merits of a transaction with Farmers in comparison to continued independence or exploration of other strategic alternatives. The consensus of the board was that the cultural fit between the two institutions was strong. Several directors expressed concern about the impact of a broader solicitation of potential acquirors or more extensive potential sale process on NBOH's customers, depositors and employees, as well as the impact of the loss of a community bank resulting from a sale of NBOH on Orrville and



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the other communities served by FNB. The meeting concluded with the board determining that additional reflection on the proposed transaction and the materials provided to it was appropriate before making a decision. Accordingly, the board scheduled another meeting for January 20, 2015.

At its January 20, 2015 meeting, the consensus of the board was that a combination of Farmers and NBOH would make a strong community bank and would increase chances of the combined community bank's long-term survival in NBOH's market, and that the only material point of disagreement among the directors was whether the current value to be delivered to NBOH shareholders under the terms of the proposal was sufficient. The board then engaged in an extensive discussion relating to the adequacy of the price offered by Farmers. During this discussion, several board members concurred in the view that NBOH had earned its independence by superior performance and would also be delivering substantial value to Farmers through the addition of Mr. Witmer and his management team. Accordingly, they believed that NBOH should remain independent unless it could obtain a proposal that delivered greater current value to shareholders.

During the course of the board's discussion, the directors discussed whether a change to the proposed exchange ratio to increase the current value delivered to NBOH's shareholders would be possible. Boenning's representatives discussed the background of the negotiation process, and advised the board that Farmers had indicated that the proposal represented its final and best offer, and that a further increase in the price was unlikely. In the course of that response, Boenning discussed the market's focus on the time-frame during which tangible book value dilution to the acquirer created by the transaction would be earned back, and the limitation that factor placed on Farmers' ability to increase its offer.

The board also again discussed whether to solicit competing bids from other potential acquirors. After discussing this matter with representatives of Boenning and Calfee, the board determined that expanding the process was not advisable, in light of the potential negative effects of a broader solicitation or sale process and the likely impact on FNB's customers, employees and communities associated with the post-closing cost savings required to achieve greater current value in such a transaction.

Following extensive discussion, the board authorized, by a vote of seven to three, moving forward to negotiate a definitive merger agreement on the terms proposed by Farmers. The board instructed Calfee to work with Farmers attorneys to review and prepare a definitive agreement for consideration by the board.

During the time period beginning on January 20, 2015, and ending on January 27, 2015, Calfee and Vorys, Sater, Seymour and Pease LLP, counsel to Farmers (Vorys), with the participation of management from each party, Boenning and Sterne Agee, proceeded to negotiate the Merger Agreement. Several drafts of the Merger Agreement were exchanged between Calfee and Vorys and several telephonic negotiating sessions occurred. Also, during this time period, each party prepared, circulated and finalized its disclosure schedules listing certain exceptions to the representations and warranties contained in the Merger Agreement.

On January 27, 2015, NBOH's board of directors held a meeting to consider and act upon the proposed Merger Agreement and review and consider Boenning's fairness analysis and opinion. Among other things, the following occurred at the meeting:

Calfee reviewed, in detail, the proposed Merger Agreement and the proposed Voting Agreements and responded to directors' questions. Calfee also reviewed the fiduciary and legal obligations applicable to directors when considering a sale or merger of a company, and discussed the results of management's due

diligence inquiry into Farmers.

Boenning's representatives presented its fairness analysis as described in Opinion of Boenning & Scattergood, Inc.

Boenning delivered its oral opinion that, as of January 27, 2015, and based on current assumptions, the Merger consideration was fair to holders of NBOH common shares from a financial point of view.

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The board of directors reviewed, considered, and discussed the Merger Agreement and the fairness analysis and fairness opinion. At the conclusion of the meeting, the board of directors, by a vote of eight to two, with Ms. Douglas and Mr. Cook dissenting:

determined that the Merger, the Merger Agreement and the Merger consideration were fair to NBOH and NBOH shareholders and that entering into the Merger Agreement and completing the Merger and the other transactions contemplated by the Merger Agreement was in the best interest of NBOH and NBOH shareholders, based on the evaluation and consideration of all reports and information available to the board of directors as of the date of the meeting and all factors that the board of directors deemed relevant, including, without limitation, the fairness opinion;

authorized and approved the Merger and all other transactions contemplated by the Merger Agreement;

approved and adopted the Merger Agreement;

authorized officers of NBOH to execute and deliver the Merger Agreement; and

recommended that NBOH shareholders vote for approval of the Merger Agreement.

After the market closed on January 27, 2015, NBOH and Farmers executed and delivered the Merger Agreement and respective disclosure schedules and issued a joint press release announcing execution of the Merger Agreement and the terms of the Merger. In addition, all of the directors, with the exception of Mr. Cook, executed and delivered the Voting Agreements.

### **NBOH's Reasons for the Merger**

In determining that the Merger and the Merger Agreement were fair to and in the best interest of NBOH and its shareholders, in authorizing and approving the Merger, in adopting the Merger Agreement and in recommending that NBOH shareholders vote for approval of the Merger Agreement, NBOH's board of directors consulted with members of NBOH's management, and with Boenning and Calfee, and also reviewed, considered, and discussed a number of factors that NBOH's board of directors viewed as relevant to its decisions, including, without limitation, the following:

the form and amount of the Merger consideration, including the tax treatment of the stock portion of the consideration and reduced volatility provided by having a portion of the consideration paid in the form of cash;

the terms of the Merger Agreement, and the analyses presented by Calfee as to the structure of the Merger, the Merger Agreement, the fiduciary and legal obligations applicable to directors when considering a sale or merger of a company, and the process that NBOH (including its board of directors) employed in considering the Merger with Farmers and the possibility of exploring alternative transactions or remaining independent;

the financial analyses reviewed and discussed with NBOH's board of directors by Boenning, as well as the oral opinion of Boenning delivered to NBOH's board of directors on January 27, 2015 (which was subsequently confirmed in writing), that the Merger consideration was fair to holders of NBOH common shares as of such date from a financial point of view;

Farmers' community banking orientation and its compatibility with the similar operating philosophy of NBOH and FNB;

the business, earnings, operations, financial condition, management, prospects, capital levels and asset quality of both NBOH and Farmers and the board's assessment of potential for the Merger to enhance both short-term and long-term shareholder value;

the challenges to operating a small community bank in the current economic, regulatory and technological environment;



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the impediments to realizing an appropriate valuation of NBOH's common shares in the trading markets associated with its small size, lack of institutional ownership and limited public float, noting that the average volume of NBOH shares according to SNL Financial had been only 362 shares per day over the previous year;

Farmers' access to capital and managerial resources relative to that of NBOH;

the anticipated future dividends to be received by NBOH shareholders after completion of the Merger as Farmers shareholders, based on Farmers' current and projected annual dividends per share;

the greater market capitalization of the combined organization and trading volume and liquidity of Farmers common shares in the event NBOH shareholders desire to sell the Farmers common shares to be received by them upon completion of the Merger;

the anticipated future long-term earnings growth prospects of NBOH compared to the potential future earnings growth prospects of Farmers and the combined company;

the board's desire to provide shareholders with the prospect for greater future appreciation on their investments through ownership of Farmers common shares than the amount of appreciation that the board of directors believed that NBOH could achieve independently;

the anticipated impact of the transaction on NBOH's employees, depositors, customers and the communities that it serves, including the potential to better serve its customers and enhance its competitive position as a community bank due to Farmers' ability to offer more diverse financial products and services as a larger and more highly capitalized institution;

the proposed organizational structure of the combined company, including the contemplated use of NBOH's headquarters facility in Orrville, Ohio and management personnel as regional management for the combined company's operations;

the ability of Farmers to complete the Merger from a business, financial and regulatory perspective;

the geographic fit of the branch networks of the combined company, and the potential for operating synergies and cross-marketing of products and services across the combined company; and

the likelihood of successful integration and operation of the combined company.

The NBOH board of directors also reviewed, considered, and discussed a number of potential risks and uncertainties in connection with its consideration of the proposed Merger, including, without limitation, the following:

the challenges of integrating NBOH's business, operations and employees with those of Farmers;

the need to obtain and likelihood of obtaining approval by shareholders of NBOH and Farmers and regulators in order to complete the transaction;

the risks associated with the operations of the combined company, including the ability to achieve the anticipated cost savings and revenue enhancements contemplated by the respective management teams;

the risks and costs associated with entering into the Merger Agreement and restrictions on the conduct of NBOH's business before the Merger is completed;

the possibility of a significant reduction in the trading price of Farmers common shares following the announcement of the Merger Agreement and prior to completion of the Merger;

the impact that provisions of the Merger Agreement relating to payment of a \$2.5 million termination fee by NBOH, and NBOH's inability to terminate the Merger Agreement prior to a shareholder vote even if a superior proposal is received, may have on NBOH receiving an alternative takeover proposal;

the potential costs associated with executing the Merger Agreement, including change in control payments and related costs, as well as estimated advisor fees; and

the possibility of litigation in connection with the Merger.

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This discussion of the information and factors considered by NBOH's board of directors in reaching its conclusions and recommendation includes the factors identified above, but is not intended to be exhaustive and may not include all of the factors reviewed, considered, and discussed by NBOH's board of directors. In view of the wide variety of factors considered in connection with its evaluation of the Merger and the other transactions contemplated by the Merger Agreement, and the complexity of these matters, NBOH's board of directors did not find it useful and did not attempt to quantify, rank or assign any relative or specific weights to the various factors that it reviewed, considered, and discussed in reaching its determination to approve the Merger and the other transactions contemplated by the Merger Agreement, and to make its recommendation to NBOH shareholders. Rather, NBOH's board of directors viewed its decisions as being based on the totality of the information presented to it and the factors it considered, including its discussions with and questioning of members of NBOH's management and outside legal and financial advisors. In addition, individual members of NBOH's board of directors may have assigned different weights to different factors.

Those members of NBOH's board of directors who voted against entering into the Merger Agreement and the related transactions have advised the board that they did so because they believed that Farmers' proposal did not deliver sufficient current value to NBOH's shareholders to justify a decision to abandon NBOH's strategy of continuing to operate as an independent community bank.

Certain of NBOH's directors and executive officers have financial interests in the Merger that are different from, or in addition to, those of NBOH's shareholders generally. The NBOH board of directors was aware of and considered these potential interests, among other matters, in evaluating the Merger and in making its recommendation to NBOH shareholders. For a discussion of these interests, see Interests of NBOH Directors and Executive Officers in the Merger.

## **Recommendation of the NBOH Board of Directors**

NBOH's board of directors has determined that the Merger Agreement and the transactions contemplated thereby, including without limitation the Merger, are fair to and in the best interests of NBOH and NBOH shareholders. NBOH's board of directors recommends that NBOH shareholders vote **FOR** approval and adoption of the Merger Agreement and the Merger.

## **Opinion of NBOH's Financial Advisor**

Boenning and Scattergood, Inc. ( Boenning ) is acting as financial advisor to NBOH in connection with the Merger. Boenning is a registered broker-dealer providing investment banking services with substantial expertise in transactions similar to the Merger. As part of its investment banking activities, Boenning is regularly engaged in the independent valuation of businesses and securities in connection with mergers, acquisitions, underwriting, private placements and valuations for estate, corporate and other purposes.

On January 27, 2015, Boenning rendered its oral opinion, which was subsequently confirmed in writing, to the NBOH board of directors that, as of such date, the Merger consideration to be received by the holders of NBOH's common shares pursuant to the Merger Agreement was fair, from a financial point of view, to such holders.

The full text of Boenning's written opinion dated January 27, 2015, which sets forth the assumptions made, matters considered and limitations of the review undertaken, is attached as Annex C to this proxy statement and is incorporated herein by reference. You are urged to, and should, read this opinion carefully and in its entirety in connection with this proxy statement. The summary of Boenning's opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. Boenning's opinion does not reflect any developments that may occur or may have occurred after the date of its opinion and prior to the completion

of the Merger.

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No limitations were imposed by NBOH on the scope of Boenning's investigation or the procedures to be followed by Boenning in rendering its opinion. Boenning was not requested to, and did not, make any recommendation to the NBOH board of directors as to the form or amount of the consideration to be paid to the NBOH shareholders, which was determined through arm's length negotiations between the parties. In arriving at its opinion, Boenning did not ascribe a specific range of values to NBOH. Its opinion is based on the financial and comparative analyses described below.

In connection with its opinion, Boenning, among other things:

reviewed the historical financial performances, current financial positions and general prospects of Farmers and NBOH and reviewed certain internal financial analyses and forecasts prepared by the management of NBOH;

reviewed the Merger Agreement, dated January 27, 2015;

reviewed and analyzed the stock market performance of Farmers and NBOH;

studied and analyzed the consolidated financial and operating data of Farmers and NBOH;

reviewed the pro forma financial impact of the Merger on Farmers, based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies determined by senior management of Farmers and NBOH;

considered the financial terms of the Merger between Farmers and NBOH as compared with the financial terms of comparable bank and bank holding company mergers and acquisitions;

met and/or communicated with certain members of Farmers' and NBOH's senior management to discuss their respective operations, historical financial statements and future prospects; and

conducted such other financial analyses, studies and investigations as Boenning deemed appropriate.

Boenning's opinion was given in reliance on information and representations made or given by Farmers and NBOH, and their respective officers, directors, auditors, counsel and other agents, and on filings, releases and other information issued by Farmers and NBOH including financial statements, financial projections, and stock price data as well as certain information from recognized independent sources. Boenning did not independently verify the information concerning Farmers and NBOH nor other data which Boenning considered in its review and, for purposes of its opinion, Boenning assumed and relied upon the accuracy and completeness of all such information and data. Boenning assumed that all forecasts and projections provided to it had been reasonably prepared and reflected the best currently available estimates and good faith judgments of the management of Farmers and NBOH as to their most likely future financial performance. Boenning expressed no opinion as to any financial projections or the assumptions

on which they were based. Boenning did not conduct any valuation or appraisal of any assets or liabilities of Farmers or NBOH, nor have any such valuations or appraisals been provided to Boenning. Additionally, Boenning assumed that the Merger is, in all respects, lawful under applicable law.

With respect to anticipated transaction costs, purchase accounting adjustments, expected cost savings and other synergies and financial and other information relating to the general prospects of Farmers and NBOH, Boenning assumed that such information had been reasonably prepared and reflected the best currently available estimates and good faith judgment of the management of Farmers and NBOH as to their most likely future performance. Boenning further relied on the assurances of management of Farmers and NBOH that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Boenning was not asked to and did not undertake an independent verification of any of such information and Boenning did not assume any responsibility or liability for the accuracy or completeness thereof. Boenning assumed that the allowance for loan losses indicated on the balance sheets of Farmers and NBOH was adequate to cover such losses; Boenning did not review individual loans or credit files of Farmers and NBOH. Boenning assumed that all of the representations and warranties contained in the Merger Agreement and all related agreements were true

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and correct, that each party under the agreements will perform all of the covenants required to be performed by such party under the agreements, and that the conditions precedent in the agreements were not waived. Boenning assumed that the Merger will qualify as a tax-free reorganization for federal income tax purposes. Also, in rendering its opinion, Boenning assumed that in the course of obtaining the necessary regulatory approvals for the consummation of the Merger no conditions will be imposed that will have a material adverse effect on the combined entity or contemplated benefits of the Merger, including the cost savings and related expenses expected to result from the Merger.

Boenning's opinion is based upon information provided to it by the management of Farmers and NBOH, as well as market, economic, financial and other conditions as they existed and could be evaluated only as of the date of its opinion and accordingly, it speaks to no other period. Boenning did not undertake to reaffirm or revise its opinion or otherwise comment on events occurring after the date of its opinion and did not have an obligation to update, revise or reaffirm its opinion. Boenning's opinion does not address the relative merits of the Merger and the other business strategies that NBOH's board of directors has considered or may be considering, nor does it address the underlying business decision of NBOH's board of directors to proceed with the Merger. In connection with the preparation of Boenning's opinion, Boenning was not authorized to solicit, and did not solicit, third parties regarding alternatives to the Merger. Boenning expressed no opinion as to the value of the Farmers common shares when issued to holders of outstanding NBOH common shares pursuant to the Merger Agreement or the prices at which the shares may trade at any time. Boenning's opinion is for the information of NBOH's board of directors in connection with its evaluation of the Merger and does not constitute a recommendation to the board of directors of NBOH in connection with the Merger or a recommendation to any shareholder of NBOH as to how such shareholder should vote or act with respect to the Merger.

In connection with rendering its opinion, Boenning performed a variety of financial analyses that are summarized below. This summary does not purport to be a complete description of such analyses. Boenning believes that its analyses and the summary set forth herein must be considered as a whole and that selecting portions of such analyses and the factors considered therein, without considering all factors and analyses, could create an incomplete view of the analyses and processes underlying its opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Boenning considered the results of all of its analyses as a whole and did not attribute any particular weight to any analyses or factors considered by it. The range of valuations resulting from any particular analysis described below should not be taken to be Boenning's view of the actual value of NBOH.

In its analyses, Boenning made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of NBOH or Farmers. Any estimates contained in Boenning's analyses are not necessarily indicative of actual future values or results, which may be significantly more or less favorable than suggested by such estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the actual prices at which companies or their securities actually may be sold. No company or transaction utilized in Boenning's analyses was identical to NBOH or Farmers or the Merger. Accordingly, an analysis of the results described below is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other facts that could affect the public trading value of the companies to which they are being compared. None of the analyses performed by Boenning was assigned a greater significance by Boenning than any other, nor does the order of analyses described represent relative importance or weight given to those analyses by Boenning. The analyses described below do not purport to be indicative of actual future results, or to reflect the prices at which NBOH's common stock or Farmers common stock may trade in the public markets, which may vary depending upon various factors, including changes in interest rates, dividend rates, market conditions, economic conditions and other factors that influence the price of securities.

In accordance with customary investment banking practice, Boenning employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses that



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Boenning used in providing its opinion on January 27, 2015. Some of the summaries of financial analyses are presented in tabular format. In order to understand the financial analyses used by Boenning more fully, you should read the tables together with the text of each summary. The tables alone do not constitute a complete description of Boenning's financial analyses, including the methodologies and assumptions underlying the analyses, and if viewed in isolation could create a misleading or incomplete view of the financial analyses performed by Boenning. The summary data set forth below do not represent and should not be viewed by anyone as constituting conclusions reached by Boenning with respect to any of the analyses performed by it in connection with its opinion. Rather, Boenning made its determination as to the fairness to the holders of NBOH's common shares of the Merger consideration, from a financial point of view, on the basis of its experience and professional judgment after considering the results of all of the analyses performed. Accordingly, the data included in the summary tables and the corresponding imputed ranges of value for NBOH should be considered as a whole and in the context of the full narrative description of all of the financial analyses set forth in the following pages, including the assumptions underlying these analyses. Considering the data included in the summary table without considering the full narrative description of all of the financial analyses, including the assumptions underlying these analyses, could create a misleading or incomplete view of the financial analyses performed by Boenning.

In connection with rendering its opinion and based upon the terms of the draft Merger Agreement reviewed by it, Boenning assumed the effective per share Merger consideration to be \$30.63 based on the January 26, 2015, stock price of Farmers of \$7.50 and the aggregate indicated Merger consideration to be \$70.6 million, which represents \$68.3 million for currently outstanding common shares and \$2.3 million for outstanding in the money options, which equals the aggregate difference between the Merger consideration and the exercise price for each option.

*Comparison of Selected Companies.* Boenning reviewed and compared the multiples and ratios of the current trading price of NBOH's common shares to NBOH's book value, tangible book value, latest 12 months earnings per share, assets, tangible book premium to core deposits, and deposits, such multiples referred to herein as the pricing multiples, with the median pricing multiples for the current trading prices of the common stock of a peer group of 19 selected public Midwest banks and thrifts with assets between \$400 million and \$1 billion, and latest 12 months core return on assets greater than 0.90%, excluding merger targets. Boenning first applied the resulting range of pricing multiples for the peer group specified above to the appropriate financial results without the application of any control premium, referred to as the unadjusted trading price. Boenning then applied a 27.8% assumed control premium to the trading prices of the peer group specified above, referred to as the adjusted trading price, and compared the pricing multiples of the offer price to the median pricing multiples for the peer group adjusted trading prices. The 27.8% equity control premium is the median one day stock price premium for all bank and thrift merger and acquisition deals announced since January 1, 2000, based on data from SNL Financial.

**Table 1**

<b>Pricing Multiple</b>	<b>Unadjusted Trading Price</b>		<b>Adjusted Trading Price</b>	
	<b>NBOH <sup>(1)</sup></b>	<b>Median Statistics for Peer Group <sup>(2)</sup></b>	<b>Offer Price <sup>(3)</sup></b>	<b>Median Statistics for Peer Group <sup>(2)</sup></b>
Price/Book Value	97.6%	98.7%	130.0%	126.4%
Price/Tangible Book Value	107.2%	103.6%	142.9%	132.6%
Price/Latest Twelve Months Core Earnings Per Share	8.9x	9.8x	11.7x	12.5x
Price/Assets	9.7%	9.9%	13.3%	12.7%

Premium over Tangible Book Value/Core				
Deposits	0.9%	0.7%	5.4%	5.0%
Price/Deposits	12.3%	11.8%	16.9%	15.1%

(1) Based on NBOH's closing stock price of \$23.00 on January 26, 2015.

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(2) Peer metrics are based on prices as of market close on January 26, 2015.

(3) Based on the implied value of \$30.63, as a result of Farmers' closing stock price of \$7.50 on January 26, 2015. *Analysis of Bank Merger Transactions.* Boenning analyzed certain information relating to recent transactions in the banking industry, consisting of (i) seven selected nationwide bank and thrift transactions announced since January 1, 2013, with target assets between \$400 million and \$800 million, latest 12 months return on equity between 8% and 15% and tangible common equity to tangible assets greater than 5%, excluding mergers of equals, referred to below as Group A; (ii) 13 selected nationwide bank and thrift transactions announced since January 1, 2013, with target assets between \$300 million and \$800 million, latest twelve months return on equity greater than 5% and defined by SNL Financial as a geographic market expansion transaction, referred to below as Group B; and (iii) 14 selected nationwide bank and thrift transactions announced since January 1, 2013, with target assets between \$200 million and \$1 billion, a positive latest twelve months net income and a ratio of buyer assets to seller assets between 1.5 and 3.0 times, excluding all-cash transactions, referred to below as Group C. Boenning then reviewed and compared the pricing multiples of the offer price and the median pricing multiples of the selected transaction values for Group A, Group B and Group C.

**Table 2**

Pricing Multiple	Median Statistics for Selected Transactions			
	The Merger	Group A	Group B	Group C
Price/Book Value	130.0%	151.7%	124.8%	129.2%
Price/Tangible Book Value	142.9%	163.6%	127.2%	140.5%
Price/Latest Twelve Months Core Earnings Per Share	11.7x	16.5x	15.9x	19.0x
Price/Assets	13.3%	15.4%	12.8%	14.2%
Premium over Tangible Book Value/Core Deposits	5.4%	8.0%	4.6%	5.5%
Price/Deposits	16.9%	18.1%	15.8%	16.4%

*Discounted Cash Flow Analysis.* Discounted cash flow analysis approximates the value of a share of stock to an acquiror by calculating the present value of the target's dividendable cash flow in perpetuity. This analysis assumed a short-term earnings growth rate of 6.0% and a long-term growth rate of 2.5%, as well as a short-term balance sheet growth rate of 5.0% and a long-term growth rate of 2.5%, based on guidance from NBOH's management. The estimated cost savings of 25%, transaction costs of \$5.6 million pre-tax and credit mark of \$4.35 million (equal to NBOH's loan loss reserve plus \$250,000) were based on guidance provided by Farmers. A discount rate of 14.1% was determined using the Capital Asset Pricing Model and the Build-Up Method, both of which take into account certain factors such as the current risk free rate, the beta of bank stocks compared to the broader market and the Ibbotson risk premiums for small, illiquid stocks and for commercial bank stocks, as well as comparable company returns on tangible common equity. The average of the three methods was approximately 14.1%. Sensitivity analyses for discount rates and cost savings ranged from 12% to 16% and 20% to 30%, respectively. The present value of NBOH common shares calculated using discounted cash flow analysis ranged from \$22.43 per share to \$38.11 per share based on the cost savings estimates and discount rates used, compared to the offer price of \$30.63 per share. This analysis does not purport to be indicative of actual future results and does not purport to reflect the prices at which NBOH common shares may trade in the public markets. A discounted cash flow analysis was included because it is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, including earnings growth rates, dividend payout rates and discount rates.

*Present Value Analysis.* Applying present value analysis to NBOH's theoretical future earnings, dividends and tangible book value, Boenning compared the offer price for one NBOH common share to the present value of one NBOH

common share on a stand-alone basis. The analysis was based upon management's projected earnings growth, a range of assumed price/earnings ratios, a range of assumed price/tangible book value ratios and a

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14.1% discount rate, which was determined using the Capital Asset Pricing Model and the Build-Up Method, both of which take into account certain factors such as the current risk free rate, the beta of bank stocks compared to the broader market and the Ibbotson risk premiums for small, illiquid stocks and for commercial bank stocks, as well as comparable company returns on tangible common equity as a third hurdle rate. The average of the three methods was approximately 14.1%. The valuation was completed with a sensitivity analysis on the discount rate ranging from 12% to 16%. Boenning derived the terminal price/earnings multiple of 13.5x and terminal price/tangible book value multiple of 110% from the median trading multiples of the publicly-traded Ohio banks between \$200 million and \$3 billion as of January 26, 2015. Sensitivity analyses for terminal price/earnings and price/tangible book ranged from 10.0x to 17.0x and 95% to 125%, respectively. The present value of NBOH's common shares calculated on a stand-alone basis ranged from \$18.20 to \$35.34 per share based on price/earnings multiples and from \$17.21 to \$26.20 per share based on price/tangible book value multiples, compared to the offer price of \$30.63 per share. This analysis does not purport to be indicative of actual future results and does not purport to reflect the prices at which NBOH's common shares may trade in the public markets. A present value analysis was included because it is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, including earnings growth rates, dividend payout rates and discount rates.

*Pro Forma Merger Analysis.* Boenning analyzed certain potential pro forma effects of the Merger, assuming the following: (i) the Merger is completed in the second quarter of 2015; (ii) each NBOH common share will be eligible to receive consideration of \$32.15 in cash or 4.034 Farmers common shares, or an indicated \$30.63 as of January 26, 2015; (iii) estimated pre-tax cost savings of \$3.1 million on an annual basis, 65% phased-in in 2015 and fully phased-in in 2016; (iv) estimated one-time transaction related costs of \$5.6 million pre-tax are expensed prior to closing; (v) NBOH performance was calculated in accordance with NBOH management's earnings forecasts; (vi) Farmers' performance was calculated in accordance with the publicly available analyst earnings estimates for Farmers; and (vii) certain other assumptions pertaining to costs and expenses associated with the transaction, intangible amortization, opportunity cost of cash and other items. The analyses indicated that, for the full years 2015 and 2016, the Merger (excluding transaction expenses) would be accretive to the combined company's projected earnings per share and accretive to NBOH's per share equivalent tangible book value and dividends. The actual results achieved by the combined company may vary from projected results and the variations may be material.

As described above, Boenning's opinion was just one of the many factors taken into consideration by the NBOH board of directors in making its determination to approve the Merger.

Boenning, as part of its investment banking business, regularly is engaged in the valuation of assets, securities and companies in connection with various types of asset and security transactions, including mergers, acquisitions, private placements, public offerings and valuations for various other purposes, and in the determination of adequate consideration in such transactions. In the ordinary course of Boenning's business as a broker-dealer, it may, from time to time, purchase securities from, and sell securities to, Farmers and NBOH or their respective affiliates. In the ordinary course of business, Boenning may also actively trade the securities of Farmers and NBOH for its own account and for the accounts of customers and accordingly may at any time hold a long or short position in such securities.

Boenning received a retainer fee of \$20,000 for its services, and a \$150,000 fee for rendering the fairness opinion. Boenning's fee for rendering the fairness opinion was not contingent upon any conclusion that Boenning may reach or upon completion of the Merger. Upon the successful completion of the Merger, Boenning is entitled to a fee of 1.25% of the Merger consideration, against which the previously paid retainer and fairness opinion fees will be credited. NBOH has also agreed to indemnify Boenning against certain liabilities that may arise out of Boenning's engagement.

Boenning has not had any material relationship with Farmers or NBOH during the past two years in which compensation was received or was intended to be received as a result of the relationship between Boenning and

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Farmers or NBOH. Boenning may provide investment banking services to Farmers in the future, although as of the date of Boenning's opinion and the date of this proxy statement/prospectus, there was and is no agreement to do so.

Boenning's opinion was approved by Boenning's fairness opinion committee. Boenning did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the Merger by the officers, directors, or employees of any party to the Merger Agreement, or any class of such persons, relative to the compensation to be received by the holders of NBOH common shares in the Merger.

**Nonpublic Financial Projections Provided to NBOH's Financial Advisor and Farmers' Financial Advisor**

NBOH does not, as a matter of course, publicly disclose forecasts or internal projections as to its future performance, earnings or other results due to the unpredictability of the underlying assumptions and estimates. However, Boenning used internal financial projections for NBOH as provided by and/or reviewed with senior management of NBOH for the purpose of preparing its financial analyses used in rendering its fairness opinion, as described in this joint proxy statement/prospectus under the heading "Opinion of NBOH's Financial Advisor" beginning on page 51. In addition, Sterne Agee used internal financial projections for NBOH as provided by and/or reviewed with senior management of NBOH for the purpose of preparing its financial analyses used in rendering its fairness opinion, as described in this joint proxy statement/prospectus under the heading "Opinion of Farmers' Financial Advisor" beginning on page 59. A summary of these projections is included in this joint proxy statement/prospectus because such projections were used by Boenning and Sterne Agee as described in the preceding sentences.

At the time the financial projections were prepared, the projections represented the best estimates and judgments of NBOH's management and, to the best of management's knowledge and belief, the future financial performance of NBOH. While the financial projections set forth below were prepared in good faith, no assurance can be given regarding future events. The financial projections are subjective in many respects and are thus susceptible to interpretation and periodic revision based on actual experience and recent developments. Accordingly, the financial projections set forth below cannot be considered a reliable predictor of future operating results. The financial projections were not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information or published guidelines of the SEC regarding forward-looking statements. Although presented with numeric specificity, the financial projections reflect numerous estimates and assumptions that may not be realized and are subject to significant uncertainties and contingencies, many of which are beyond the control of NBOH. In light of the foregoing, as well as the uncertainties inherent in any financial projections, NBOH shareholders and Farmers shareholders are cautioned not to unduly rely on these financial projections as a predictor of future operating results or otherwise.

The financial projections of NBOH included in this joint proxy statement/prospectus were prepared by, and were the responsibility of, NBOH's management. Neither NBOH's independent registered public accounting firm nor any other independent accounting firm examined, compiled or performed any procedures with respect to these financial projections and, accordingly, no opinion or any other form of assurance on such information or its achievability is expressed with respect to such financial projections. Inclusion of the financial projections in this joint proxy statement/prospectus shall not be deemed an admission or representation by NBOH or Farmers that they are viewed by NBOH or Farmers as material information of NBOH or Farmers.

All of the financial projections are forward-looking statements. The estimates and assumptions underlying the financial projections set forth below involve judgments at the time the projections were prepared with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions. In any event, these estimates and assumptions may not be realized and are inherently subject to significant

business, economic, competitive and regulatory uncertainties, all of which are difficult to predict and many of which are beyond the control of NBOH. In addition, these financial projections represent NBOH's evaluation at the time the projections were prepared of its future financial performance on a stand-alone basis, and without reference to the proposed merger or transaction-related costs or benefits. Accordingly, there can be



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no assurance that the projected results would be realized or that actual results would not differ materially from those presented in the financial projections. The inclusion of these financial projections should not be interpreted as an indication that NBOH or Farmers considers this information a reliable prediction of future results, or that the projections would be the same if prepared by NBOH as of the date of this document, and this information should not be unduly relied on for that purpose.

The financial projections provided by NBOH to Boenning are summarized as follows:

	<b>For the Years Ending</b>	
	<b>December 31, 2015</b>	<b>December 31, 2016</b>
<b>Balance Sheet Highlights</b> ( <i>dollars in thousands</i> )		
Total Assets	\$ 549,446	\$ 568,593
Total Loans	\$ 415,141	\$ 431,743
Total Deposits	\$ 430,465	\$ 443,379
Total Equity	\$ 56,946	\$ 62,690
<b>Capital Ratios</b>		
Tangible Common Equity / Total Assets	9.59%	10.28%
Leverage Ratio	9.16%	9.87%
Total Risk Based Capital	13.45%	14.45%
<b>Income Statement Highlights</b> ( <i>dollars in thousands</i> )		
Net Interest Income	\$ 18,399	\$ 19,043
Loan Loss Provision	\$ 600	\$ 600
Net Income	\$ 6,232	\$ 6,560
<b>Ratio Analysis</b>		
Net Interest Margin (Tax Equivalent)	3.69%	3.68%
Efficiency Ratio	56.60%	55.90%

The financial projections provided by NBOH to Sterne Agee are summarized under the heading - Nonpublic Financial Projections Provided to Farmers Financial Advisor beginning on page 64.

**Farmers Reasons for the Merger**

The Farmers Board of Directors has concluded that the Merger is in the best interests of Farmers and its shareholders. In reaching this determination, the Farmers Board of Directors consulted with management, as well as its financial and legal advisors, and considered a number of factors, including, without limitation, the following:

The Merger will facilitate the natural and logical expansion of Farmers business within Stark County and into the neighboring counties of Wayne and Medina.

The Merger will help create a leading Northeastern Ohio community banking franchise with added scale, enhanced profitability and growth potential. The Merger will result in a bank holding company with approximately \$1.7 billion in assets, a size which Farmers believes helps create additional economies of scale to permit more profitable competition in a competitive banking environment.

The resulting institution will have a strong regional presence and brand recognition.

The Merger parties have highly compatible cultures with similar strategies, customer focus and strong service and community orientation. NBOH's management philosophies and long-standing reputation of

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excellent customer service and community involvement are consistent with Farmers' philosophies focused on superb customer service in the community banking segment with a strong ongoing commitment to each community served.

The Merger will combine complementary businesses, joining NBOH's strong loan growth with Farmers' wealth management resources and strong capital base. The combined capital base will help provide flexibility with respect to future growth and capital management.

The Merger has very attractive pro forma financial elements, with an estimated earnings per share accretion in 2016 of over 20% and an estimated internal rate of return of over 20% with manageable tangible book value earnback.

The addition of NBOH Board members Jim Smail and Howard Wenger as new Farmers Board members will help provide leadership and guidance in the expanded market of the combined companies.

The continued employment of Mark Witmer, current CEO of NBOH, as Senior Executive Vice President, Chief Community Banking Officer of Farmers will add an extremely capable and respected leader in the expanded market of the combined companies.

The anticipated continued employment of other members of the NBOH senior management team will help with the transition of customers, employees and the NBOH community, thereby lessening potential execution risk with respect to the Merger.

The Farmers Board of Directors considered many different factors in its evaluation and did not believe it was practical to, and did not quantify or otherwise assign relative weights to, the individual factors considered in reaching its determination.

## **Recommendation of the Farmers Board of Directors**

The Farmers Board of Directors unanimously approved the Merger Agreement and the issuance of common shares in connection therewith. The board of directors of Farmers believes that the Merger and the common share issuance are in the best interests of Farmers and its shareholders, and, as a result, the directors unanimously recommend that Farmers shareholders vote **FOR** the adoption and approval of the Merger Agreement and **FOR** the approval of the issuance of common shares.

## **Opinion of Farmers' Financial Advisor**

On October 31, 2014, the Farmers' Board of Directors retained Sterne Agee to act as financial adviser to Farmers regarding a merger transaction with NBOH. As part of the engagement, Sterne Agee was asked to assess the fairness, from a financial point of view, of the consideration paid, which includes cash and common shares of Farmers, to NBOH's shareholders.

Sterne Agee, a nationally recognized investment banking firm with offices throughout the United States, has substantial experience in transactions similar to the Merger. Sterne Agee is continually engaged in the financial

analysis of banking businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. As specialists in the securities of banking companies, Sterne Agee has experience in, and knowledge of, the financial analysis of banking enterprises. Other than with respect to the proposed Merger and one additional investment banking engagement, Sterne Agee has not been engaged to provide services to Farmers during the past two years.

As part of Sterne Agee's engagement, representatives attended the meeting by Farmers' Board of Directors held on January 27, 2015, in which Farmers' Board of Directors evaluated the proposed Merger. At this meeting,

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Sterne Agee reviewed the financial aspects of the proposed transaction and rendered an opinion that, as of such date, the consideration provided to and for NBOH in the Merger was fair, from a financial point of view, to Farmers. Farmers Board of Directors approved the Merger Agreement at this meeting.

The full text of Sterne Agee's written opinion is attached as Annex D to this document and is incorporated herein by reference. Farmers' shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Sterne Agee. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion.

**Sterne Agee's opinion speaks only as of the date of the opinion. The opinion is directed to Farmers Board of Directors and addresses only the fairness, from a financial point of view, of the consideration provided for in the Merger. It does not address the underlying business decision to proceed with the Merger and does not constitute a recommendation to any shareholder as to how the shareholder should vote or act with respect to any matter relating to the Merger.**

In rendering its opinion, Sterne Agee, among other things:

Reviewed the Agreement dated January 27, 2015;

Reviewed certain publicly-available financial and business information of Farmers, NBOH and their respective affiliates that we deemed to be relevant;

Reviewed certain information, including financial forecasts relating to the business, assets, liabilities, and earnings of Farmers and NBOH;

Reviewed materials detailing the Merger prepared by Farmers, NBOH and their respective affiliates and by their, legal and accounting advisors, including the estimated amount and timing of the cost savings and related expenses expected to result from the Merger;

Conducted conversations with members of senior management and representatives of Farmers regarding the matters described in the first four clauses above, as well as their respective businesses and prospects before and after giving effect to the Merger;

Compared certain financial metrics of Farmers and NBOH to other selected banks and thrifts that we deemed to be relevant;

Analyzed the terms of the Merger relative to selected prior mergers and acquisitions involving a depository institution as the selling entity;

Analyzed the projected pro forma impact of the Merger on certain projected balance sheet, capital ratios, and profitability metrics of Farmers;

Reviewed the overall environment for depository institutions in the United States; and

Conducted such other financial studies, analyses and investigations and took into account such other matters as we deemed appropriate for purposes of this opinion, including our assessment of general economic, market and monetary conditions. In addition, Sterne Agee compared certain financial information for NBOH with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the banking industry, and performed other studies and analyses that it considered appropriate.

Sterne Agee, in conducting its review and arriving at its opinion, relied upon the accuracy and completeness of all of the financial and other information provided to it or otherwise publicly available. Sterne Agee did not independently verify the accuracy or completeness of any such information or assume any responsibility for such verification or accuracy. Sterne Agee relied upon the management of Farmers and NBOH as to the reasonableness and achievability of the financial and operating forecasts and projections (and the assumptions

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and basis therefore) provided to Sterne Agee. Sterne Agee assumed that such forecasts and projections reflect the best currently available estimates and judgments of such managements and that such forecasts and projections will be realized in the amounts and in the time periods currently estimated by such managements. Sterne Agee did not make or obtain any evaluation or appraisal of the property of Farmers or NBOH, nor did it examine any individual credit files.

The projections furnished to Sterne Agee and used by it in certain of its analyses were prepared by Farmers and NBOH's senior management teams. Farmers and NBOH do not publicly disclose internal management projections of the type provided to Sterne Agee in connection with its review of the Merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

For purposes of rendering its opinion, Sterne Agee assumed that, in all respects material to its analyses:

the Merger will be completed substantially in accordance with the terms set forth in the Merger agreement with no additional payments or adjustments to the Merger consideration;

the representations and warranties of each party in the Merger Agreement and in all related documents and instruments referred to in the Merger Agreement are true and correct;

each party to the Merger Agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the Merger will be satisfied without any waiver; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the Merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the Merger, including the cost savings and related expenses expected to result from the Merger.

Sterne Agee further assumed that the Merger will be accounted for as a purchase transaction under generally accepted accounting principles, and that the Merger will qualify as a tax-free reorganization for United States federal income tax purposes. Sterne Agee's opinion is not an expression of an opinion as to the price at which Farmers common shares will trade following the announcement of the Merger or the actual value of the common shares of the combined company when issued pursuant to the Merger, or the price at which the common shares of the combined company will trade following the completion of the Merger.

In performing its analyses, Sterne Agee made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, which are beyond the control of Sterne Agee, Farmers and NBOH. Any estimates contained in the analyses performed by Sterne Agee are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses.

Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the Sterne Agee opinion was among several factors taken into consideration by the Farmers Board of Directors in making its determination to approve the Merger Agreement and the Merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the Farmers Board of Directors with respect to the fairness of the consideration.

The following is a summary of the material analyses presented by Sterne Agee to the Farmers Board of Directors on January 27, 2015, in connection with its fairness opinion. The summary is not a complete description of the analyses underlying the Sterne Agee opinion or the presentation made by Sterne Agee to the



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Farmers Board of Directors, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. In arriving at its opinion, Sterne Agee did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the financial analyses. Accordingly, Sterne Agee believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion.

*Summary of Proposal.* Pursuant to the terms of the Merger Agreement, upon the Merger, 80% of the NBOH common shares will be converted into the right to receive 4.034 Farmers common shares and 20% of the NBOH common shares will be converted into an amount of cash equal to \$32.15.

*Comparable Transaction Analysis.* Sterne Agee reviewed publicly available information related to nine (9) selected acquisitions of banks and bank holding companies as well as thrifts and thrift holding companies announced after December 31, 2011, where the target had similar financial characteristics as NBOH:

Acquiror	Acquiree
Heartland Financial USA, Inc.	Community Banc-Corp. of Sheboygan, Inc.
Old National Bancorp	Founders Financial Corporation
MainSource Financial Group, Inc.	MBT Bancorp
Old National Bancorp	United Bancorp, Inc.
First Financial Bancorp.	Insight Bank
First Financial Bancorp.	First Bexley Bank
Old National Bancorp	Tower Financial Corporation
Heartland Financial USA, Inc.	Morrill Bancshares, Inc.
CNB Financial Corporation	FC Banc Corp.

Transaction multiples for the Merger were derived from an aggregate deal value of \$70.6 million, based on Farmers January 26, 2015, closing price of \$7.50. For each precedent transaction, Sterne Agee derived and compared, among other things, the implied deal value paid for the acquired company to:

tangible book value of the acquired company based on December 31, 2014, financial statements;

tangible equity premium to core deposits (total deposits less time deposits greater than \$100,000) based on December 31, 2014, financial statements;

the income based on the company's last twelve months ending December 31, 2014.

The results of the analysis are set forth in the following table:

Deal Value to:	Comparable Transactions:					
	Farmers / NBOH Merger	Minimum	25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile	Maximum
<b>Tangible Book Value</b>	147.7%	119.1%	142.0%	181.9%	195.9%	212.8%
<b>Core Deposit Premium</b>	5.9%	2.3%	5.8%	9.8%	12.7%	20.2%
<b>Earnings</b>	12.0x	5.6x	11.6x	15.7x	19.6x	22.0x

No company or transaction used as a comparison in the above analysis is identical to NBOH, Farmers or the Merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

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*Discounted Cash Flow Analysis.* Sterne Agee performed a discounted cash flow analysis to estimate a range of the present values of 5 years of after-tax cash flows that NBOH could provide to equity holders on a pro forma basis after accounting for Merger adjustments and projected cost savings. In performing this analysis, Sterne Agee used NBOH's management guidance for the second half of 2015 and the 2016 fiscal year of \$3.2 million and \$6.6 million and then grew earnings at 6% and balance sheet at 5% thereafter to derive projected after-tax cash flows. The analysis assumed discount rates ranging from 11.0% to 15.0%. The range of values was determined by adding (1) the present value of projected cash flows to NBOH's shareholders from fiscal year 2015 to 2019, (2) the estimated projected cost savings realized in the Merger from 2015 to 2019, (3) the estimated 141R fair market value adjustments to NBOH's balance sheet; and (4) the present value of the terminal value of NBOH's common shares. In determining cash flows available to shareholders, Sterne Agee assumed that NBOH would maintain a tangible common equity/tangible asset ratio of 8.00% and would retain sufficient earnings to maintain that level. Any earnings in excess of what would need to be retained represented dividendable cash flows for NBOH. In calculating the terminal value of NBOH, Sterne Agee applied multiples ranging from 11.0 times to 15.0 times fiscal year 2020 forecasted earnings. This resulted in a pro forma discounted cash flow analysis range of value of NBOH from \$37.11 to \$53.71 per share.

Sterne Agee stated that the discounted cash flow present value analysis is a widely used valuation methodology, but noted that it relies on numerous assumptions, including asset and earnings growth rates, terminal values, and discount rates. The analysis did not purport to be indicative of the actual values or expected values of NBOH.

*Financial Impact Analysis.* Sterne Agee performed pro forma merger analyses that combined projected income statement and balance sheet information of Farmers and NBOH. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the Merger would have on certain projected financial results of Farmers. In the course of this analysis, Sterne Agee used earnings estimates for Farmers and NBOH for 2015 and 2016 as provided by Farmers and NBOH management, respectively. This analysis indicated that the Merger is expected to be accretive to Farmers' estimated earnings per share in 2015, excluding restructuring charges by 13.9% and accretive to Farmers' estimated earnings per share in 2016, excluding restructuring charges by 24.4%. The analysis also indicated that the Merger is expected to be dilutive to tangible book value per share for Farmers and that Farmers would maintain well capitalized capital ratios. For all of the above analyses, the actual results achieved by Farmers following the Merger will vary from the projected results, and the variations may be material.

*Other Analyses.* Sterne Agee reviewed the relative financial performance of Farmers and NBOH to a variety of relevant industry peer groups. Sterne Agee also reviewed earnings estimates, balance sheet composition and other financial data for Farmers and NBOH.

*Relationships.* In the ordinary course of its business as a broker-dealer, Sterne Agee may, from time to time, purchase securities from, and sell securities to Farmers, NBOH or their respective affiliates. Sterne Agee may also from time to time have a long or short position in, and buy or sell, debt or equity securities of Farmers, NBOH or its affiliates for its own account and for the accounts of its customers.

Sterne Agee has acted exclusively for the board of directors of Farmers in rendering this opinion in connection with the Merger and will receive a fee from Farmers for its services. Sterne Agee has also acted as an advisor on the transaction and a portion of its fee is contingent on its successful completion.

Sterne Agee received a fee of \$75,000 upon rendering the fairness opinion. Additionally, Sterne Agee was paid a retainer fee of \$25,000 in connection with the signing of this engagement. Upon the successful completion of the Merger, Sterne Agee is entitled to a fee of \$550,000, reduced by any fee paid to Sterne Agee in connection with the signing of the engagement letter and fairness opinion. Farmers has agreed to reimburse Sterne Agee for reasonable

and customary out-of-pocket expenses and disbursements, including fees and reasonable expenses of counsel, and to indemnify against certain liabilities, including liabilities under the federal securities laws. Other

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than services provided to Farmers in connection with the proposed Merger and one additional investment banking engagement, Sterne Agee has not provided investment banking and financial advisory services to Farmers or NBOH in the past two years.

**Nonpublic Financial Projections Provided to Farmers Financial Advisor**

Farmers does not, as a matter of course, publicly disclose forecasts or internal projections as to its future performance, earnings or other results due to the unpredictability of the underlying assumptions and estimates. However, Sterne Agee used internal financial projections for Farmers as provided by and/or reviewed with senior management of Farmers for the purpose of preparing its financial analyses used in rendering its fairness opinion, as described in this joint proxy statement/prospectus under the heading Opinion of Farmers Financial Advisor beginning on page 59. A summary of these projections is included in this joint proxy statement/prospectus because such projections were used by Sterne Agee as described in the preceding sentence.

At the time the financial projections were prepared, the projections represented the best estimates and judgments of Farmers management and, to the best of management s knowledge and belief, the future financial performance of Farmers. While the financial projections set forth below were prepared in good faith, no assurance can be given regarding future events. The financial projections are subjective in many respects and are thus susceptible to interpretation and periodic revision based on actual experience and recent developments. Accordingly, the financial projections set forth below cannot be considered a reliable predictor of future operating results. The financial projections were not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information or published guidelines of the SEC regarding forward-looking statements. Although presented with numeric specificity, the financial projections reflect numerous estimates and assumptions that may not be realized and are subject to significant uncertainties and contingencies, many of which are beyond the control of Farmers. In light of the foregoing, as well as the uncertainties inherent in any financial projections, NBOH shareholders and Farmers shareholders are cautioned not to unduly rely on these financial projections as a predictor of future operating results or otherwise.

The financial projections of Farmers included in this joint proxy statement/prospectus were prepared by, and were the responsibility of, Farmers management. Neither Farmers independent registered public accounting firm nor any other independent accounting firm examined, compiled or performed any procedures with respect to these financial projections and, accordingly, no opinion or any other form of assurance on such information or its achievability is expressed with respect to such financial projections. Inclusion of the financial projections in this joint proxy statement/prospectus shall not be deemed an admission or representation by NBOH or Farmers that they are viewed by NBOH or Farmers as material information of NBOH or Farmers.

All of the financial projections are forward-looking statements. The estimates and assumptions underlying the financial projections set forth below involve judgments at the time the projections were prepared with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions. In any event, these estimates and assumptions may not be realized and are inherently subject to significant business, economic, competitive and regulatory uncertainties, all of which are difficult to predict and many of which are beyond the control of Farmers. In addition, these financial projections represent Farmers s evaluation at the time the projections were prepared of its future financial performance on a stand-alone basis, and without reference to the proposed merger or transaction-related costs or benefits. Accordingly, there can be no assurance that the projected results would be realized or that actual results would not differ materially from those presented in the financial projections. The inclusion of these financial projections should not be interpreted as an indication that NBOH or Farmers considers this information a reliable prediction of future results, or that the projections would be the same if

prepared by NBOH as of the date of this document, and this information should not be unduly relied on for that purpose.

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The financial projections provided by Farmers to Sterne Agee are summarized as follows:

	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
Farmers Projected Aggregate Net Income	\$ 9,446	\$ 10,508	\$ 11,139	\$ 11,807	\$ 12,515
NBOH Projected Aggregate Net Income <sup>1</sup>	\$ 3,204	\$ 6,560	\$ 6,954	\$ 7,371	\$ 7,813
Pro Forma Net Income <sup>2</sup>	\$ 10,230	\$ 18,180	\$ 19,110	\$ 20,327	\$ 21,611
Farmers Projected Earnings Per Share	\$ 0.51	\$ 0.57	\$ 0.60	\$ 0.64	\$ 0.68
Pro Forma Earnings Per Share <sup>3</sup>	\$ 0.58	\$ 0.71	\$ 0.75	\$ 0.79	\$ 0.84
Accretion/(Dilution)	13.9%	24.4%	23.4%	23.8%	24.2%

<sup>1</sup> NBOH management provided 2015 and 2016 aggregate net income projections to Farmers, which then applied a 6% annual growth rate to arrive at 2017 through 2019 projections.

<sup>2</sup> NBOH 2015 aggregate net income based on estimates 6 months following the 6/30/15 assumed transaction close. 2015 and 2016 pro forma projected earnings per share exclude restructuring charges.

<sup>3</sup> 2015 and 2016 pro forma projected earnings per share exclude restructuring charges.

**Regulatory Approvals Required**

The Merger must receive approval from both the OCC and the Federal Reserve before the Merger may be consummated. Farmers has received such approval to consummate the Merger from the OCC, but has not yet received such approval from the Federal Reserve.

The approval of any regulatory applications merely implies the satisfaction of regulatory criteria for approval, which does not include review of the adequacy or fairness of the merger consideration to NBOH shareholders. Furthermore, regulatory approvals do not constitute or imply any endorsement or recommendation of the Merger or the terms of the Merger Agreement.

**Interests of NBOH Directors and Executive Officers in the Merger**

Officers and directors of NBOH have employment and other compensation agreements or economic interests that give them interests in the Merger that are somewhat different from, or in addition to, their interests as NBOH shareholders. These interests and agreements include:

two members of the NBOH board of directors (Mr. Smail and Mr. Wenger) will be appointed to the Farmers and Farmers Bank boards of directors, and it is anticipated that Mr. Smail will serve as Vice Chairman of Farmers and Farmers Bank;

the acceleration of vesting of all outstanding stock options issued by NBOH, and all such stock options will be exchanged for an amount of cash equal to the positive difference between \$32.15 and the exercise price per share of such NBOH stock option multiplied by the number of shares subject to such NBOH stock option;

payments of retention bonuses to certain executive officers of NBOH;

continued employment that has been offered by Farmers to NBOH's President and Chief Executive Officer, and will be offered to NBOH's Vice President and Chief Financial Officer and each other member of NBOH's senior management team; and

rights of NBOH officers and directors to continued indemnification coverage and continued coverage under directors' and officers' liability insurance policies.

Mr. Witmer was provided with a term sheet describing the following principal terms of his continued employment by Farmers after consummation of the Merger: (a) title of Senior Executive Vice President and Chief Community Banking Officer reporting directly to Mr. Helmick, President and CEO of Farmers, (b) annual base salary of \$250,000, (c) pro-rata participation in Farmers' 2015 annual bonus plan at a target benefit of 35% of base salary, (d) participation in Farmers' long-term incentive plan with a 3-year award at a target benefit of 45% of base salary, (e) entry into Farmers' form of change-in-control agreement for executive officers, and (f) coverage by Farmers Separation Policy.



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Each of Farmers and NBOH's board of directors was aware of these interests and considered them in approving the Merger Agreement.

### **Material U.S. Federal Income Tax Consequences of the Merger**

This section describes the intended, material U.S. federal income tax consequences of the Merger to Farmers, NBOH, and U.S. holders of NBOH common shares who exchange their shares for Farmers common shares, cash or a combination of Farmers common shares and cash pursuant to the Merger. Farmers and NBOH intend for the Merger to be treated as a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code, and Farmers and NBOH intend that each will be a party to a reorganization within the meaning of Section 368(b) of the Internal Revenue Code. The closing of the Merger is conditioned upon the receipt by NBOH of an opinion of Calfee, Halter & Griswold LLP, tax counsel to NBOH, and the receipt by Farmers of an opinion of Vorys, Sater, Seymour and Pease LLP, tax counsel to Farmers, each dated as of the effective date of the Merger, substantially to the effect that, on the basis of facts, representations and assumptions set forth in that opinion (including factual representations contained in certificates of officers of Farmers and NBOH), the Merger constitutes a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. This section contains the tax opinions of Calfee, Halter & Griswold LLP and Vorys, Sater, Seymour and Pease LLP regarding the material U.S. federal income tax consequences of the Merger, subject to the limitations, qualifications and assumptions described herein (as confirmed in the respective tax opinions filed as exhibits to the registration statement of which this joint proxy statement/prospectus is a part).

**Farmers and NBOH have not requested and do not intend to request any ruling from the Internal Revenue Service as to the U.S. federal income tax consequences of the Merger, and the tax opinions to be delivered in connection with the Merger are not binding on the Internal Revenue Service. Consequently, there is no assurance of the accuracy of the anticipated U.S. federal income tax consequences to Farmers, NBOH, and the U.S. holders of NBOH common shares described in this joint proxy statement/prospectus.**

The following discussion is based on the Internal Revenue Code, existing and proposed Treasury Department regulations promulgated thereunder, published Internal Revenue Service rulings, and court decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

For purposes of this discussion, the term "U.S. holder" means:

a citizen or resident of the U.S.;

a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S. or any state or political subdivision thereof;

a trust that (1) is subject to (A) the primary supervision of a court within the U.S. and (B) the authority of one or more U.S. persons to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury Department regulations to be treated as a U.S. person; or

an estate that is subject to U.S. federal income tax on its income regardless of its source.

If a partnership (including for this purpose any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds NBOH common shares, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partnership, or a partner in such partnership, holding NBOH common shares, you should consult your tax advisor.

This discussion is addressed only to those NBOH shareholders that hold their NBOH common shares as a capital asset within the meaning of Section 1221 of the Internal Revenue Code (generally, property held for investment), and does not address all of the U.S. federal income tax consequences that may be relevant to particular NBOH shareholders in light of their individual circumstances or to NBOH shareholders that are subject to special rules, such as:

mutual funds, banks, thrifts or other financial institutions;

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pass-through entities and investors in those pass-through entities;

retirement plans or pension funds;

insurance companies;

tax-exempt organizations;

dealers in securities or foreign currencies;

traders in securities that elect to use the mark-to-market method of accounting;

regulated investment companies;

real estate investment trusts;

persons that exercise dissenters' rights;

persons that hold NBOH common shares as part of a straddle, hedge, constructive sale, conversion transaction or other risk management transaction;

persons who purchase or sell their NBOH common shares as part of a wash sale;

expatriates or persons that have a functional currency other than the U.S. dollar;

persons who are not U.S. holders; and

persons that acquired their NBOH common shares through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified retirement plan.

In addition, the discussion does not address any alternative minimum tax, U.S. federal estate or gift tax or any state, local or foreign tax consequences of the Merger. **All holders of NBOH common shares should consult their tax advisors as to the specific tax consequences of the Merger to them, including the applicability and effect of the alternative minimum tax and any state, local, foreign and other tax laws.**

***Reorganization Treatment***

The Merger is intended to be a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code, and Farmers and NBOH are each intended to be a party to a reorganization within the meaning of Section 368(b) of the Internal Revenue Code. **If the intended reorganization treatment is respected by the Internal Revenue Service and the courts, then the material U.S. federal income tax consequences described below are anticipated.**

***U.S. Federal Income Tax Consequences to Farmers and NBOH***

*No Gain or Loss.* No gain or loss will be recognized by Farmers or NBOH as a result of the Merger.

*Tax Basis.* The tax basis of the assets of NBOH in the hands of Farmers will be the same as the tax basis of such assets in the hands of NBOH immediately prior to the Merger.

*Holding Period.* The holding period of the assets of NBOH to be received by Farmers will include the period during which such assets were held by NBOH.

***U.S. Federal Income Tax Consequences to U.S. Holders of NBOH Common Shares who Receive Solely Farmers Common Shares***

A U.S. holder of NBOH common shares will recognize no gain or loss with respect to Farmers common shares such U.S. holder receives pursuant to the Merger (with respect to cash received in lieu of a fractional Farmers common share, see below under Cash In Lieu of Fractional Shares ).

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**Table of Contents*****U.S. Federal Income Tax Consequences to U.S. Holders of NBOH Common Shares who Receive Solely Cash***

A U.S. holder of NBOH common shares who receives solely cash in exchange for all of its NBOH common shares, or properly exercises its dissenters' rights, and does not constructively own Farmers' common shares after the Merger (see *Possible Dividend Treatment*, below), will recognize a gain or loss for federal income tax purposes equal to the difference between the cash received and such U.S. holder's tax basis in NBOH's common shares surrendered in exchange for the cash. Such gain or loss will be a capital gain or loss, provided that such shares were held as capital assets of the U.S. holder at the effective time of the Merger. Such gain or loss will be long-term capital gain or loss if the U.S. holder's holding period is more than one year. The Internal Revenue Code contains limitations on the extent to which a taxpayer may deduct capital losses from ordinary income.

***U.S. Federal Income Tax Consequences to U.S. Holders of NBOH Common Shares who Receive a Combination of Cash and Farmers Common Shares***

A U.S. holder of NBOH common shares will recognize gain (but not loss) with respect to the Farmers common shares and cash such U.S. holder receives pursuant to the Merger, in an amount equal to the lesser of (i) the amount by which the sum of the fair market value of the Farmers common shares and the amount of cash received by such U.S. holder (other than cash received in lieu of a fractional Farmers common share), exceeds such U.S. holder's basis in its NBOH common shares, and (ii) the amount of cash received by such U.S. holder (other than any cash received in lieu of a fractional Farmers common share, as discussed below under *Cash In Lieu of Fractional Shares*). Subject to possible dividend treatment (as discussed in more detail under *Possible Dividend Treatment*, below), gain that U.S. holders of NBOH common shares recognize in connection with the Merger generally will constitute capital gain and will constitute long-term capital gain if such U.S. holders have held their NBOH common shares for more than one year at the effective time of the Merger. Long-term capital gain of certain non-corporate holders of NBOH common shares, including individuals, is generally taxed at preferential rates.

***Tax Basis of Farmers Common Shares Received Pursuant to the Merger***

The tax basis of the Farmers common shares received by such U.S. holder (including a fractional Farmers common share, if any, deemed issued and redeemed by Farmers) will be the same as the basis of the NBOH common shares surrendered in exchange for the Farmers common shares and cash, reduced by the amount of cash received by such U.S. holder in the Merger (other than any cash received in lieu of a fractional Farmers common share), and increased by any gain recognized by such U.S. holder in the Merger (including any portion of the gain that is treated as a dividend (as described below), but excluding any gain or loss resulting from the deemed issuance and redemption of a fractional Farmers common share). The holding period for Farmers common shares received by such U.S. holder will include such U.S. holder's holding period for NBOH's common shares surrendered in exchange for the Farmers common shares (including a fractional Farmers common share, if any, deemed to be issued and redeemed by Farmers).

If a U.S. holder of NBOH common shares acquired different blocks of NBOH common shares at different times or at different prices, any gain or loss will be determined separately with respect to each block of NBOH common shares. In computing the amount of gain recognized, if any, a U.S. holder of NBOH common shares may not offset a loss realized on one block of shares against the gain realized on another block of shares. U.S. holders of NBOH common shares should consult their tax advisors regarding the manner in which Farmers common shares and cash received in the Merger should be allocated among different blocks of NBOH common shares and regarding their bases and holding periods in the particular shares of Farmers common shares received in the Merger.



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**Table of Contents*****Cash in Lieu of Fractional Shares***

A U.S. holder of NBOH common shares that receives cash in lieu of a fractional Farmers common share generally will be treated as having received such fractional share and then having received such cash in redemption of such fractional share. Gain or loss generally will be recognized based on the difference between the amount of cash received in lieu of the fractional share and the portion of the U.S. holder's aggregate adjusted basis in the NBOH common shares surrendered which is allocable to the fractional share. Subject to possible dividend treatment (as discussed in more detail under *Possible Dividend Treatment*, below), such gain or loss generally will be long-term capital gain or loss if the U.S. holder's holding period for its NBOH shares exceeds one year at the effective time of the Merger.

***Possible Dividend Treatment***

In some cases described above, the gain recognized by a U.S. holder could be treated as having the effect of the distribution of a dividend under the tests set forth in Section 302 of the Internal Revenue Code, in which case such gain would be treated as dividend income. Because the possibility of dividend treatment depends primarily upon each holder's particular circumstances, including the application of certain constructive ownership rules, U.S. holders of NBOH common shares should consult their tax advisors regarding the application of the foregoing rules to their particular circumstances.

***Backup Withholding and Reporting Requirements***

Under certain circumstances, cash payments made to a U.S. holder of NBOH common shares pursuant to the Merger may be subject to backup withholding at a rate of 28% of the cash payable to the U.S. holder, unless the U.S. holder furnishes its taxpayer identification number in the manner prescribed in applicable Treasury Department regulations, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not an additional tax and will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability.

A U.S. holder of NBOH common shares owning at least 5% (by vote or value) of the outstanding shares of NBOH common shares or having a basis of \$1,000,000 or more in its NBOH common shares immediately before the Merger is required to file a statement with such U.S. holder's U.S. federal income tax return setting forth such U.S. holder's tax basis in, and the fair market value of, the NBOH common shares exchanged by such U.S. holder pursuant to the Merger. In addition, all U.S. holders of NBOH common shares will be required to retain records pertaining to the Merger.

**The preceding discussion of material U.S. federal income tax consequences of the Merger is included in this joint proxy statement/prospectus for general information only, and is intended only as a summary of material U.S. federal income tax consequences of the Merger. It is not a complete analysis or discussion of all potential tax effects that may be important to you.**

**Each NBOH shareholder should consult with his, her or its own tax advisor regarding the specific tax consequences to the shareholder of the Merger, including the application and effect of state, local and foreign income and other tax laws.**

**Accounting Treatment**

The Merger will be accounted for under the acquisition method of accounting in accordance with generally accepted accounting principles in the United States. Under the acquisition method of accounting, the assets and liabilities of NBOH will be recorded and assumed at estimated fair values at the time the Merger is consummated. The excess of the estimated fair value of Farmers common shares issued and the cash proceeds paid over the net fair values of the assets acquired, including identifiable intangible assets, and liabilities assumed



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will be recorded as goodwill and will not be deductible for income tax purposes. Goodwill will be subject to an annual test for impairment and the amount impaired, if any, will be charged as an expense at the time of impairment.

**Resale of Farmers Common Shares**

Farmers has registered its common shares to be issued in the Merger with the SEC under the Securities Act of 1933, as amended (the Securities Act ). No restrictions on the sale or other transfer of Farmers common shares issued in the Merger will be imposed solely as a result of the Merger, except for restrictions on the transfer of Farmers common shares issued to any NBOH shareholder who may become an affiliate of Farmers for purposes of Rule 144 under the Securities Act. The term affiliate is defined in Rule 144 under the Securities Act and generally includes executive officers, directors and shareholders beneficially owning 10% or more of the outstanding Farmers common shares.

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### **THE MERGER AGREEMENT**

The following is a description of the material terms of the Merger Agreement. A complete copy of the Merger Agreement is attached as [Annex B](#) to this joint proxy statement/prospectus and is incorporated into this joint proxy statement/prospectus by reference. *We encourage you to read the Merger Agreement carefully, as it is the legal document that governs the Merger.*

*The Merger Agreement contains representations and warranties of NBOH and Farmers. The assertions embodied in those representations and warranties are qualified by information contained in confidential disclosure schedules that the parties delivered in connection with the execution of the Merger Agreement. In addition, certain representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from the standard of materiality generally applicable to statements made by a corporation to shareholders or may have been used for purposes of allocating risk between the respective parties rather than establishing matters as facts. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, or for any other purpose, at the time they were made or otherwise.*

#### **Effects of the Merger**

As a result of the Merger, NBOH will merge with and into Farmers, with Farmers as the surviving company. The articles of incorporation and the code of regulations of Farmers as in effect immediately prior to the Merger will be the articles of incorporation and code of regulations of the surviving company.

As a result of the Merger, there will no longer be any publicly held NBOH common shares. To the extent that an NBOH shareholder receives Merger consideration in the form of cash, the NBOH shareholder will not participate in Farmers' future earnings and potential growth as a shareholder of Farmers and will no longer bear the risk of any losses incurred in the operation of the surviving company's business or of any decreases in the value of that business. Those NBOH shareholders receiving Farmers common shares as Merger consideration will only participate in the surviving company's future earnings and potential growth through their ownership of Farmers common shares. All of the other incidents of direct share ownership in NBOH, such as the right to vote on certain corporate decisions, to elect directors and to receive dividends and distributions from NBOH, will be extinguished upon completion of the Merger.

#### **Effective Time of the Merger**

The Merger will occur on a date to be specified by Farmers and NBOH after the satisfaction or waiver of the last closing condition to be satisfied, including the receipt of all regulatory and shareholder approvals and after the expiration of all regulatory waiting periods, unless extended by mutual agreement of Farmers and NBOH. The Merger will become effective as of the date and time specified in the certificate of Merger to be filed with the Ohio Secretary of State. As of the date of this joint proxy statement/prospectus, the parties expect that the Merger will be effective during the first half of 2015. However, there can be no assurance as to when or if the Merger will occur.

If the Merger is not completed by the close of business on January 27, 2016, the Merger agreement may be terminated by either Farmers or NBOH, unless the failure of the closing to occur by that date is due to the failure of the party seeking to terminate the Merger Agreement to perform or observe its covenants and agreements in the Merger Agreement.

#### **Merger Consideration**

Under the terms of the Merger Agreement, shareholders of NBOH will be entitled to receive from Farmers, after the Merger is completed, Merger consideration payable in the form of a combination of cash and Farmers common shares to be calculated as set forth in the Merger Agreement. At the effective time of the Merger, each

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NBOH common share will be converted into the right to receive either: (i) 4.034 Farmers common shares, or (ii) \$32.15 in cash, subject to adjustment under certain circumstances set forth in the Merger Agreement.

Farmers will not issue any fractional common shares in connection with the Merger. Instead, each holder of NBOH common shares who would otherwise be entitled to receive a fraction of a Farmers common share (after taking into account all NBOH common shares owned by such holder at the effective time of the Merger) will receive cash, without interest, in an amount equal to the Farmers fractional common share to which such holder would otherwise be entitled multiplied by the volume-weighted average, rounded to the nearest one tenth of a cent, of the closing sale prices of Farmers common shares based on information reported by the Nasdaq for the five (5) trading days immediately preceding the effective time.

Once the Merger is complete, the Exchange Agent will mail each holder of NBOH common shares transmittal materials and instructions for exchanging their NBOH share certificates for Farmers common shares to be issued by book-entry transfer.

## **Treatment of NBOH Stock Options**

At the effective time of the Merger, each outstanding and unexercised employee and director option to purchase NBOH common shares, whether vested or unvested, will vest in full and cease to represent an option to purchase NBOH common shares. Instead, each holder of an option will be entitled to receive cash in an amount equal to (a) the positive difference, if any, between \$32.15 and the exercise price of the option, multiplied by (b) the total number of NBOH common shares for which the option was exercisable.

## **Covenants and Agreements**

*Conduct of Businesses Prior to the Completion of the Merger.* Farmers and NBOH have agreed that, prior to the effective time of the Merger, each will conduct its businesses, and cause its subsidiaries to conduct their respective businesses, in the ordinary course consistent with past practice in all material respects and use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships. Farmers and NBOH have agreed to (and shall cause each of their respective subsidiaries to) take no action that is intended to or would reasonably be expected to adversely affect or materially delay the ability of either to perform its covenants and agreements in the Merger agreement or to complete the Merger and other transactions contemplated by the Merger Agreement.

In addition to the general covenants above, NBOH has agreed that prior to the effective time of the Merger, subject to specified exceptions, it will not, and will not permit any of its subsidiaries to, without the prior written consent of Farmers (which shall not be unreasonably withheld or delayed):

issue, sell or otherwise permit to become outstanding, or dispose of or encumber or pledge, or authorize or propose the creation of, any additional NBOH common shares or other equity interest, voting debt or equity rights, except for issuances of NBOH common shares in connection with the exercise of NBOH stock options outstanding as of January 26, 2015, in accordance with their existing terms;

grant, award or issue any NBOH stock options, restricted units, stock appreciation rights, restricted stock, awards based on the value of NBOH capital stock or other equity-based awards with respect to NBOH

common shares under any of the NBOH employee benefit plans or NBOH stock plans or otherwise;

make, declare, pay or set aside for payment any dividend or declare or make any dividend on or in respect of, or declare or make any distribution on any shares of its stock, other than regular quarterly dividends not exceeding \$0.10 per share on NBOH's common shares or dividends from its wholly owned subsidiaries to it or another of its wholly owned subsidiaries;

directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its stock, other than repurchases of common shares in the ordinary course of business consistent with past practice to satisfy obligations under NBOH's employee benefit plans;

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amend the terms of, waive any right under, terminate, knowingly violate the terms of or enter into any contract or other binding obligation outside the ordinary course of business consistent with past practice or certain specified types of material contracts;

sell, transfer, mortgage, encumber, license, let lapse, cancel, abandon or otherwise dispose of or discontinue any of its assets, deposits, business or properties, except for those in the ordinary course of business consistent with past practice and in transactions that are not material when taken as a whole;

acquire (other than by way of foreclosures or acquisitions of control in a fiduciary or similar capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) all or any portion of the assets, business, deposits or properties of any other entity;

amend the NBOH articles of incorporation or the NBOH code of regulations, or similar governing documents of any of its significant subsidiaries;

implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable regulatory accounting requirements or any regulatory agency responsible for regulating NBOH;

except as required by applicable law or under the terms of any employee benefit plan existing as of the date of the Merger Agreement: (1) increase in any manner beyond agreed amounts the compensation, severance or benefits of any of the current or former directors, officers, employees, consultants, independent contractors or other service providers of NBOH or its subsidiaries, (2) pay or award, or commit to pay or award, any bonuses or incentive compensation, (3) become a party to, establish, amend, alter prior interpretations of, commence participation in, terminate or commit itself to the adoption of any stock option plan or other stock-based compensation plan, compensation, severance, pension, retirement, profit-sharing, welfare benefit, or other employee benefit plan or agreement or employment agreement with or for the benefit of any employee (or newly hired employee), (4) accelerate the vesting of or lapsing of restrictions with respect to any stock-based compensation or other long-term incentive compensation, (5) fund any rabbi trust or similar arrangement or take any action to fund or in any other way secure the payment of compensation or benefits under any employee benefit plan, (6) change any actuarial assumptions used to calculate funding obligations with respect to any employee benefit plan or change the manner in which contributions to such plans are made or the basis on which such contributions are determined, except as may be required by GAAP or applicable law, or (7) hire or terminate without cause any employee who has or would have target total compensation of \$75,000 or more;

take, or omit to take, any action that would, or could reasonably be expected to, prevent or impede the Merger from qualifying as a tax-free reorganization within the meaning of Section 368(a) of the Code, or, except as may be required by applicable law imposed by any governmental entity, take any action that would reasonably be expected to prevent, materially impede or materially delay the consummation of the Merger, or take, or knowingly fail to take, any action that is reasonably likely to result in any of the conditions to the

Merger not being satisfied;

incur or guarantee any indebtedness for borrowed money other than in the ordinary course of business consistent with past practice;

enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies, except as required by law or as requested by a regulatory agency;

other than in consultation with Farmers, make any material change to its investment securities portfolio, derivatives portfolio or its interest rate exposure, through purchases, sales or otherwise, or the manner in which the portfolio is classified or reported, except as required by law or as requested by a regulatory agency;

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settle any action, suit, claim or proceeding against it, except for settlements in an amount and for consideration not in excess of \$25,000 individually (or \$50,000 in the aggregate) and that would not impose any restriction on the business of it or its subsidiaries or create precedent for claims that is reasonably likely to be material to it or its subsidiaries;

make an application for the opening, relocation or closing of any, or open, relocate or close any, branch office, loan production office or other significant office or operations facility;

make or incur any capital expenditure in excess of \$25,000 individually or \$75,000 in the aggregate;

issue any communication of a general nature to its employees or customers without the prior approval of Farmers (which will not be unreasonably delayed or withheld), except for communications in the ordinary course of business that do not relate to the Merger;

make or change any material tax elections, change or consent to any change in it or its subsidiaries' method of accounting for tax purposes (except as required by applicable tax law), enter into any structured transaction outside of its regular course of business, settle or compromise any material tax liability, claim or assessment, enter into any closing agreement, waive or extend any statute of limitations with respect to a material amount of taxes, surrender any right to claim a refund for a material amount of taxes, or file any material amended tax return;

except for (1) loans or legally binding commitments for loans that have previously been approved by NBOH prior to date of the Merger Agreement, make or acquire any loan or issue a commitment (or renew or extend an existing commitment) for any loan, or amend or modify in any material respect any existing loan, that would result in total credit exposure to the applicable borrower (and its affiliates) in excess of \$750,000, (2) with respect to amendments or modifications that have previously been approved by NBOH prior to the date of the Merger Agreement, amend or modify in any material respect any existing loan rated "special mention" or below with total credit exposure in excess of \$750,000, or (3) with respect to any actions that have previously been approved by NBOH prior to the date of the Merger Agreement, modify or amend any loan in a manner that would result in any additional extension of credit, principal forgiveness, or effect any uncompensated release of collateral, i.e., at a value below the fair market value thereof as determined by NBOH, in each case in excess of \$750,000; or

agree to take, make any commitment to take, or adopt any resolutions of its board of directors in support of, any of the above prohibited actions.

Farmers has agreed to a more limited set of restrictions on its business prior to the completion of the Merger. Specifically, Farmers has agreed that prior to the effective time of the Merger, except as expressly permitted by the Merger Agreement, it will not, without the prior written consent of NBOH (which shall not be unreasonably withheld or delayed), and will not permit any of its subsidiaries to:



take, or omit to take, any action that would, or could reasonably be expected to, prevent or impede the Merger from qualifying as a tax-free reorganization within the meaning of Section 368(a) of the Code, or, except as may be required by applicable law imposed by any governmental entity, take any action that would reasonably be expected to prevent, materially impede or materially delay the consummation of the Merger, or take, or knowingly fail to take, any action that is reasonably likely to result in any of the conditions to the Merger not being satisfied;

make or change any material tax elections, change or consent to any change in it or its subsidiaries method of accounting for tax purposes (except as required by applicable tax law), enter into any structured transaction outside of its regular course of business, settle or compromise any material tax liability, claim or assessment, enter into any closing agreement, waive or extend any statute of limitations with respect to a material amount of taxes, surrender any right to claim a refund for a material amount of taxes, or file any material amended tax return; or

agree to take, make any commitment to take, or adopt any resolutions of its board of directors in support of, any of the above prohibited actions.

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*Regulatory Matters.* Farmers and NBOH have agreed to promptly prepare and file with the SEC a registration statement on Form S-4, of which this joint proxy statement/prospectus is a part. Farmers has agreed to use commercially reasonable efforts to have the Form S-4 declared effective under the Securities Act as promptly as practicable after such filing, and Farmers and NBOH have agreed to mail or deliver the joint proxy statement/prospectus to their respective shareholders. Farmers has also agreed to use its commercially reasonable efforts to obtain all necessary state securities law or Blue Sky permits and approvals required to complete the Merger, and NBOH has agreed to furnish all information concerning NBOH and the holders of NBOH common shares as may be reasonably requested in connection with any such action.

Farmers and NBOH have agreed to cooperate with each other and use their respective commercially reasonable efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and governmental entities that are necessary or advisable to complete the Merger and to comply with the terms and conditions of all such permits, consents, approvals and authorizations.

Additionally, each of Farmers and NBOH have agreed to furnish to the other all information concerning itself, its subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with this joint proxy statement/prospectus, the Form S-4 or any other statement, filing, notice or application made by or on behalf of Farmers, NBOH or any of their respective subsidiaries to any governmental entity in connection with the Merger.

*Shareholder Approval.* NBOH's board of directors has resolved to recommend to the NBOH shareholders that they approve the Merger Agreement (subject to certain exceptions if, following the receipt of a superior proposal (as defined below), such recommendation would violate the board's fiduciary duties under Ohio law) and to submit to the NBOH shareholders the Merger Agreement and any other matters required to be approved by the NBOH shareholders in order to carry out the intentions of the Merger Agreement.

Farmers' board of directors has resolved to recommend to the Farmers shareholders that they approve the Merger Agreement and to submit to the Farmers shareholders the Merger Agreement and any other matters required to be approved by the Farmers shareholders in order to carry out the intentions of the Merger Agreement.

*Nasdaq Listing.* Farmers will cause the Farmers common shares to be issued in the Merger to be authorized for listing on the Nasdaq, subject to official notice of issuance, prior to the effective time of the Merger.

*Employee Matters.* The Merger Agreement provides that as soon as administratively practicable after the effective time, Farmers will take all reasonable actions so that employees of NBOH and its subsidiaries will be entitled to participate in each Farmers employee benefit plan of general applicability (other than any plan that is frozen to new participants) to the same extent as similarly-situated employees of Farmers and its subsidiaries. Farmers will cause each Farmers employee benefit plan in which employees of NBOH and its subsidiaries are eligible to participate to recognize, for purposes of eligibility to participate in and vesting of benefits under the Farmers employee benefit plans, the services of such employees of NBOH and its subsidiaries to the same extent such service was credited for such purposes by NBOH and its subsidiaries.

*Indemnification and Directors' and Officers' Insurance.* From and after the effective time of the Merger, Farmers will indemnify and hold harmless, to the fullest extent provided under NBOH's articles of incorporation and code of regulations, each present and former director and officer of NBOH and its subsidiaries from liabilities arising out of or pertaining to matters existing or occurring at or before the effective time of the Merger, including the transactions contemplated by the Merger Agreement. Farmers has also agreed, that for a period of six years following the effective

time of the Merger, it will use commercially reasonable efforts to provide directors and officers liability insurance that serves to reimburse the present and former officers and directors of NBOH or any of its subsidiaries with respect to claims against such officers and directors arising

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from facts or events occurring before the effective time of the Merger, including the transactions contemplated by the Merger Agreement. The insurance will contain terms and conditions that are no less advantageous than the current coverage provided by NBOH, except that Farmers is not required to incur annual premium expense greater than 150% of NBOH's current annual directors' and officers' liability insurance premium. At the option of Farmers, prior to the completion of the Merger and in lieu of the foregoing, Farmers may purchase and pay for a tail policy for directors and officers' liability insurance on the terms described in this paragraph.

*No Solicitation.* The Merger Agreement precludes NBOH and its subsidiaries and their respective officers, directors, employees, agents, advisors and other retained representatives from (1) initiating, soliciting, encouraging, knowingly facilitating (including by way of providing information) or inducing inquiries, proposals or offers with respect to, or the making or completing, any acquisition proposal (as defined below) by a third party, (2) entering into, continuing or participating in any discussions or negotiations regarding, or furnishing to any third party any confidential or nonpublic information with respect to or in connection with, an acquisition proposal, (3) taking any other action to knowingly facilitate any inquiries or any proposal that constitutes or may reasonably be expected to lead to an acquisition proposal, (4) approving, endorsing or recommending or proposing to approve, endorse or recommend any acquisition proposal or any agreement related to an acquisition proposal, (5) entering into any agreement contemplating or otherwise relating to any acquisition transaction (as defined below) with a third party or acquisition proposal, (6) entering into any agreement or agreement in principle with a third party requiring, directly or indirectly, NBOH to abandon, terminate or fail to complete the Merger or breach its obligations under the Merger Agreement, or (7) proposing or agreeing to do any of the actions in items (1) through (6) above. However, if at any time before NBOH's shareholder meeting NBOH receives an unsolicited bona fide written acquisition proposal by any third party other than as a result of taking the prohibited actions described above, and NBOH's board of directors determines, in its good faith judgment (after consultation with NBOH's financial and outside legal counsel) to constitute or to be reasonably likely to result in a superior proposal (as defined below), NBOH and its representatives may furnish nonpublic information and participate in negotiations or discussions to the extent NBOH's board of directors has determined, in its good faith judgment (after consultation with its outside legal counsel), that the failure to take such action would cause it to violate its fiduciary duties under applicable law. NBOH has agreed to immediately terminate any activities, discussions or negotiations conducted before the date of the Merger Agreement with any persons other than Farmers with respect to any acquisition proposal. NBOH has also agreed to advise Farmers within 24 hours following receipt of any acquisition proposal or any request for nonpublic information or inquiry that would reasonably be expected to lead to any acquisition proposal and the terms and conditions of such acquisition proposal (including the identity of the third party making such acquisition proposal), and will keep Farmers promptly apprised of any developments. NBOH also agreed to simultaneously provide to Farmers any information concerning it that may be provided to any other person in connection with any acquisition proposal which has not previously been provided to Farmers.

In addition, at any time prior to NBOH's shareholder meeting, the board of directors of NBOH may withdraw its recommendation of the Merger Agreement, and may change its recommendation with respect to the NBOH Merger proposal, if and only if (1) from the date of the Merger Agreement NBOH has complied with its obligations with respect to the non-solicitation of acquisition proposals and certain other of its obligations with respect to convening the NBOH shareholder meeting set forth in the Merger Agreement, and (2) the board of directors of NBOH has determined in good faith, after consultation with outside legal counsel, that the failure to take such action would be reasonably likely to violate its fiduciary duties under applicable law; except that the board of directors of NBOH may not effect such a change in its recommendation to NBOH shareholders unless:

NBOH receives an unsolicited bona fide written acquisition proposal and the board of directors of NBOH concludes in good faith (after consultation with its financial advisors and outside legal counsel) that such acquisition proposal is a superior proposal, after taking into account any amendment or modification to the Merger Agreement agreed to or proposed by Farmers;

NBOH provides prior written notice to Farmers at least five business days in advance (the notice period ) of taking such action, which notice advises Farmers that the board of directors of NBOH has

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received a superior proposal, specifies the material terms and conditions of such superior proposal (including the identity of the third party making the superior proposal);

during the notice period, NBOH and its financial advisors and outside legal counsel negotiate with Farmers in good faith (to the extent Farmers desires to do so) to make such adjustments in the terms and conditions of the Merger Agreement so that such superior proposal ceases to constitute a superior proposal; and

the board of directors of NBOH concludes in good faith (after consultation with NBOH's financial advisors and outside legal counsel) that, after considering the results of such negotiations and giving effect to any proposals, amendments or modifications offered or agreed to by Farmers, if any, that such acquisition proposal continues to constitute a superior proposal.

If during the notice period any material revisions are made to the superior proposal, NBOH must deliver a new written notice to Farmers and must again comply with the requirements described above with respect to such new written notice, except that the new notice period will be two business days. In the event the board of directors of NBOH does not conclude, after complying with the requirements described above, that the acquisition proposal continues to constitute a superior proposal, and afterwards seeks to change its recommendation to the NBOH shareholders, it must comply once again with the procedures described above with respect to any future superior proposal.

As used in the Merger Agreement, acquisition proposal means any proposal, offer, inquiry, or indication of interest (whether binding or non-binding, and whether communicated to NBOH or publicly announced to NBOH's shareholders) by any person or group (as such term is defined in Section 13(d) under the Exchange Act), other than Farmers or any of its affiliates, relating to an acquisition transaction involving NBOH or any of its present or future consolidated subsidiaries, or any combination of such subsidiaries.

As used in the Merger Agreement, acquisition transaction means any transaction or series of related transactions (other than the transactions contemplated by the Merger Agreement) involving: (1) any acquisition (whether direct or indirect, including by way of Merger, share exchange, consolidation, business combination or other similar transaction) or purchase from NBOH by any person or group (as such term is defined in Section 13(d) under the Exchange Act), other than Farmers or any of its affiliates, of 15% or more in interest of the total outstanding voting securities of NBOH or any of its subsidiaries (measured by voting power), or any tender offer or exchange offer that if completed would result in any person or group (as such term is defined in Section 13(d) under the Exchange Act), other than Farmers or any of its affiliates, beneficially owning 15% or more in interest of the total outstanding voting securities of NBOH or any of its subsidiaries (measured by voting power), or any merger, consolidation, share exchange, business combination or similar transaction involving NBOH pursuant to which the shareholders of NBOH immediately preceding such transaction would hold less than 85% of the equity interests in the surviving or resulting entity of such transaction (or, if applicable, the ultimate parent thereof) (measured by voting power); (2) any sale or lease or exchange, transfer, license, acquisition or disposition of a business, deposits or assets that constitute 15% or more of the consolidated assets, business, revenues, net income, assets or deposits of NBOH; or (3) any liquidation or dissolution of NBOH or any of its subsidiaries.

As used in the Merger Agreement, superior proposal means any bona fide written acquisition proposal that the board of directors of NBOH determines in its good faith judgment to be more favorable from a financial point of view to NBOH's shareholders than the Merger and to be reasonably capable of being completed on the terms proposed, after (1) receiving the advice of outside counsel and Boenning or another nationally recognized investment banking firm, and (2) taking into account all relevant factors (including the likelihood of consummation of such transaction on the terms set forth therein; any proposed changes to the Merger Agreement that may be proposed by Farmers in response

to such acquisition proposal (whether or not during the notice period); and all legal (with the advice of outside counsel), financial (including the financing terms of any such proposal), regulatory and other aspects of such proposal (including any expense reimbursement provisions and conditions to closing)); except that for purposes of the definition of superior proposal, the references to 15% and 85% in the definitions of acquisition proposal and acquisition transaction are changed to 50%.

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**Representations and Warranties**

The Merger Agreement contains representations and warranties made by NBOH to Farmers relating to a number of matters, including the following:

corporate organization, good standing, corporate power, qualification to do business, and subsidiaries;

capitalization;

requisite corporate authority to enter into the Merger Agreement and to complete the contemplated transactions;

absence of conflicts with governing documents, applicable laws or certain agreements as a result of entering into the Merger Agreement or completing the Merger;

required regulatory consents and approvals necessary in connection with the Merger;

proper filing of documents with regulatory agencies and the SEC and the accuracy of information contained in the documents filed with the SEC;

conformity with U.S. GAAP and SEC requirements of NBOH's financial statements and the absence of undisclosed liabilities;

broker's and finder's fees related to the Merger;

absence of a material adverse effect on NBOH since December 31, 2014;

compliance with applicable law;

non-applicability of state takeover laws;

employee compensation and benefits matters;

opinion from financial advisor;



home mortgage loan repurchases;

legal proceedings;

material contracts;

environmental matters;

tax matters;

absence of action or any fact or circumstance that would prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code;

intellectual property;

properties;

insurance;

accounting and internal controls;

derivatives;

labor matters; and

loan matters.

The Merger Agreement also contains representations and warranties made by Farmers to NBOH relating to a number of matters, including the following:

corporate organization, good standing, corporate power and qualification to do business;

capitalization;



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requisite corporate authority to enter into the Merger Agreement and to complete the contemplated transactions;

absence of conflicts with governing documents, applicable laws or certain agreements as a result of entering into the Merger Agreement or completing the Merger;

required regulatory consents necessary in connection with the Merger;

proper filing of documents with regulatory agencies and the SEC and the accuracy of information contained in the documents filed with the SEC;

the conformity with GAAP and SEC requirements of Farmers' s financial statements filed with the SEC;

broker' s and finder' s fees related to the Merger;

compliance with applicable law;

legal proceedings;

the absence of a material adverse effect on Farmers since December 31, 2014;

tax matters;

absence of any action or any fact or circumstance that would prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code;

intellectual property;

properties;

insurance;

accounting and internal controls;

ownership of Farmers common shares; and

available funds.

Certain of these representations and warranties are qualified as to materiality or material adverse effect. For purposes of the Merger Agreement, a material adverse effect with respect to Farmers or NBOH, as the case may be, means a material adverse effect on (1) the financial condition, results of operations or business of that party and its subsidiaries taken as a whole, or (2) a material adverse effect on the ability of that party to complete the Merger on a timely basis, other than, with respect to (1) above, effects resulting from (A) changes after the date of the Merger Agreement in applicable GAAP or regulatory accounting requirements, (B) changes after the date of the Merger Agreement in laws of general applicability to companies in the industries in which the party and its subsidiaries operate, (C) changes after the date of the Merger Agreement in global, national or regional political conditions or general economic or market conditions (including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates, and price levels or trading volumes in the United States or foreign securities markets) affecting other companies in the industries in which the party and its subsidiaries operate, (D) failure, in and of itself, to meet earnings projections, but not including any underlying causes thereof, (E) the public disclosure of the Merger Agreement and compliance with the Merger Agreement, (F) any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism, or (G) actions or omissions taken with the prior written consent of the other party, except, with respect to clauses (A), (B), (C) and (F), to the extent that the effects of such change are disproportionately adverse to the financial condition, results of operations or business of such party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which the party and its subsidiaries operate.

The representations and warranties in the Merger Agreement do not survive the effective time of the Merger and, as described below under Termination , if the Merger Agreement is validly terminated, there will be no liability under the representations and warranties of the parties, or otherwise under the Merger Agreement, unless a party knowingly breached the Merger Agreement.

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This summary and the copy of the Merger Agreement attached to this document as Annex B are included solely to provide investors with information regarding the terms of the Merger Agreement. They are not intended to provide factual information about the parties or any of their respective subsidiaries or affiliates. The Merger Agreement contains representations and warranties by Farmers and NBOH, which were made only for purposes of that agreement and as of specific dates. The representations, warranties and covenants in the Merger Agreement were made solely for the benefit of the parties to the Merger Agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Merger Agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those generally applicable to investors. Investors are not third-party beneficiaries under the Merger Agreement, and in reviewing the representations, warranties and covenants contained in the Merger Agreement or any descriptions thereof in this summary, it is important to bear in mind that such representations, warranties and covenants or any descriptions thereof were not intended by the parties to the Merger Agreement to be characterizations of the actual state of facts or condition of Farmers, NBOH or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in Farmers' public disclosures. For the foregoing reasons, the representations, warranties and covenants or any descriptions of those provisions should not be read alone and should instead be read in conjunction with the other information contained in the reports, statements and filings that Farmers publicly files with the SEC. For more information regarding these documents, see the section entitled "Where You Can Find More Information" in the forepart of this document.

## **Conditions to the Merger**

*Conditions to Each Party's Obligations.* The respective obligations of each of Farmers and NBOH to complete the Merger are subject to the satisfaction of the following conditions:

the receipt of the requisite approval of the Farmers shareholders and the NBOH shareholders on the Merger Agreement;

authorization for the listing on the Nasdaq of the Farmers common shares to be issued in the Merger;

the effectiveness of the registration statement on Form S-4, of which this joint proxy statement/prospectus is a part, and the absence of a stop order or proceeding initiated or threatened by the SEC for that purpose;

the absence of any order, injunction or decree issued by any court or agency or other law preventing or making illegal the consummation of the Merger or any of the other transactions contemplated by the Merger Agreement; and

the receipt of all regulatory approvals of governmental entities necessary to complete the transactions contemplated by the Merger Agreement, and the expiration of all applicable statutory waiting periods.

*Conditions to Obligations of Farmers.* The obligation of Farmers to complete the Merger is also subject to the satisfaction, or waiver by Farmers, of the following conditions:

the accuracy of NBOH's representations and warranties in the Merger Agreement as of the date of the Merger Agreement and as of effective time of the Merger (other than representations and warranties that by their terms speak specifically as of the date of the Merger Agreement or another date), subject to applicable materiality qualifiers (and the receipt of an officer's certificate from NBOH to that effect);

the performance by NBOH in all material respects of all obligations required to be performed by it under the Merger Agreement at or prior to the effective time of the Merger (and the receipt of an officer's certificate from NBOH to that effect);

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the receipt of a legal opinion, dated as of the closing date, from its counsel to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code;

the mutual agreement of Farmers and Mark R. Witmer upon the terms under which Mr. Witmer will continue employment with the surviving company; and

the absence of any action, determination or law enacted, entered, enforced or deemed applicable to the transactions contemplated by the Merger Agreement, including the Merger and the bank merger, by any governmental entity which imposes any restriction, requirement or condition that, individually or in the aggregate would, after the effective time of the Merger, restrict or burden Farmers or the surviving company or any of their respective affiliates in connection with the transactions contemplated by the Merger Agreement or with respect to the business or operations of Farmers or the surviving company that would have a material adverse effect on Farmers, the surviving company or any of their respective affiliates, in each case measured on a scale relative to NBOH.

*Conditions to Obligations of NBOH.* The obligation of NBOH to complete the Merger is also subject to the satisfaction, or waiver by NBOH, of the following conditions:

the accuracy of Farmers' representations and warranties in the Merger Agreement as of the date of the Merger Agreement and as of the effective time of the Merger (other than representations and warranties that by their terms speak specifically as of the date of the Merger Agreement or another date), subject to applicable materiality qualifiers (and the receipt of an officer's certificate from Farmers to that effect);

the performance by Farmers in all material respects of all obligations required to be performed by it under the Merger Agreement at or prior to the effective time of the Merger (and the receipt of an officer's certificate from Farmers to that effect);

the receipt of a legal opinion, dated as of the closing date, from its counsel to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code; and

Farmers' authorization of delivery of the Farmers common shares to be issued in the Merger and the delivery by Farmers of the cash consideration (and any cash payable in lieu of fractional shares) to be paid in the Merger.

**Termination; Termination Fee**

The Merger Agreement may be terminated at any time prior to the effective time of the Merger, whether before or after approval of the Merger by NBOH shareholders:

by mutual written consent of Farmers and NBOH;

by either party, if a required governmental approval is denied by final, non-appealable action, or if a governmental entity has issued a final, non-appealable order, injunction or decree permanently enjoining or otherwise prohibiting or making illegal the transactions contemplated by the Merger Agreement;

by either Farmers or NBOH, if the Merger has not closed on or before January 27, 2016, unless the failure to close by such date is due to the terminating party's failure to observe the covenants and agreements of such party in the Merger Agreement;

by either Farmers or NBOH, if there is a breach by the other party of any of its covenants or agreements or any of its representations or warranties that would, either individually or in the aggregate with other breaches by such party, result in, if occurring or continuing on the closing date, the failure of the conditions of the terminating party's obligation to complete the Merger and which is not cured within 30 days following written notice to the party committing such breach or by its nature or timing cannot be cured within such time period (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the Merger Agreement);



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by Farmers, if at any time prior to the effective time of the Merger, NBOH's board of directors has (1) failed to recommend to the shareholders of NBOH that they vote to approve the Merger Agreement, (2) changed its recommendation with respect to the Merger Agreement, including by publicly approving, endorsing or recommending, or publicly proposing to approve, endorse or recommend, certain acquisition proposals other than the Merger Agreement, whether or not permitted by the Merger Agreement, or has resolved to do the same, or (3) failed to substantially comply with its non-solicitation obligations or its obligations to recommend to the NBOH shareholders the adoption of the Merger proposal and call a shareholder meeting for that purpose;

by Farmers, if a tender offer or exchange offer for 15% or more of the outstanding NBOH common shares is commenced (other than by Farmers or a subsidiary of Farmers), and NBOH's board of directors recommends that the shareholders of NBOH tender their shares in such tender or exchange offer or otherwise fails to recommend that such shareholders reject such tender or exchange offer within ten business days; or

by either Farmers or NBOH, if the NBOH shareholders do not vote to approve the Merger Agreement at a duly held shareholders meeting (including any adjournment or postponement of such meeting) or the Farmers shareholders do not vote to approve the Merger Agreement at a duly held shareholders meeting (including any adjournment or postponement of such meeting).

NBOH must pay Farmers a termination fee of \$2.5 million in the following circumstances:

(1) either (A) NBOH or Farmers terminates the Merger Agreement because the Merger has not been completed by January 27, 2016, (B) Farmers terminates the Merger Agreement because of NBOH's willful breach of the Merger Agreement, or (C) either NBOH or Farmers terminates the Merger Agreement because NBOH shareholders have not approved the Merger Agreement at the NBOH shareholder meeting or Farmers shareholders have not approved the Merger Agreement at the Farmers shareholder meeting, and (2) prior to termination, there has been a publicly announced acquisition proposal by any third party to NBOH or its shareholders or a third party announced an intention to make an acquisition proposal, and (3) within twelve months of such termination NBOH either (A) completes an acquisition transaction, or (B) enters into any definitive agreement contemplating or otherwise relating to any acquisition transaction (but not including any confidentiality agreement required by the non-solicitation provisions contained in the Merger Agreement) with respect to an acquisition transaction or acquisition proposal, whether or not such acquisition transaction or acquisition proposal is subsequently completed (but changing, in the case of the preceding clauses (A) and (B), the references to the 15% and 85% amounts in the definitions of acquisition transaction and acquisition proposal to 50%); or

Farmers terminates the Merger Agreement because prior to the effective time of the Merger, (1) the NBOH board of directors (A) failed to recommend that the NBOH shareholders approve the Merger Agreement, (B) withdrew, qualified or modified, or proposed publicly to withdraw, qualify or modify, in a manner adverse to Farmers, or took any action, or made any public statement, filing or release inconsistent with, its recommendation in favor of the Merger Agreement, or publicly approved, endorsed or recommended, or publicly proposed to approve, endorse or recommend, any acquisition proposal, whether or not permitted by the Merger Agreement, or resolved to do the same, or (C) failed to substantially comply with its obligations to call a special meeting of the NBOH shareholders and recommend that they approve the Merger

Agreement and to refrain from soliciting alternative acquisition proposals, or (2) a tender offer or exchange offer is commenced for 15% or more of the outstanding shares of NBOH common shares (other than by Farmers or one of its subsidiaries), and the board of directors of NBOH recommends that the NBOH shareholders tender their shares in such tender or exchange offer or otherwise fails to recommend that they reject such tender offer or exchange offer within the ten business day period provided for in Rule 14e-2(a) under the Exchange Act.

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### **Effect of Termination**

If the Merger Agreement is validly terminated, the agreement will become void without any liability on the part of any of the parties, except in the case of a party's willful breach of the Merger Agreement. However, the provisions of the Merger Agreement relating to confidentiality obligations of the parties, the termination fee, publicity and certain other technical provisions will continue in effect notwithstanding termination of the Merger Agreement.

### **Amendments, Extensions and Waivers**

The Merger Agreement may be amended by the parties, by action taken or authorized by their respective boards of directors, at any time before or after approval of the Merger Agreement proposal by the NBOH shareholders, in writing signed on behalf of each of the parties, provided that after any approval of the transactions contemplated by the Merger Agreement by the NBOH shareholders and/or the Farmers shareholders, there may not be, without further approval of such shareholders, any amendment of the Merger Agreement that requires further approval under applicable law.

At any time prior to the effective time of the Merger, the parties, by action taken or authorized by their respective boards of directors, may extend the time for the performance of any of the obligations or other acts of the other party, waive any inaccuracies in the representations and warranties contained in the Merger Agreement or waive compliance with any of the agreements or conditions contained in the Merger Agreement. Any agreement on the part of a party to any extension or waiver must be in a signed writing.

### **Stock Market Listing**

Application will be made by Farmers to have the Farmers common shares to be issued in the Merger approved for listing on the Nasdaq, which is the principal trading market for existing Farmers common shares. It is a condition to both parties' obligation to complete the Merger that such approval is obtained, subject to official notice of issuance.

### **Fees and Expenses**

All fees and expenses incurred in connection with the merger, the merger agreement, and the transactions contemplated by the Merger agreement will be paid by the party incurring such fees or expenses, whether or not the Merger is completed.

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**COMPARISON OF CERTAIN RIGHTS OF NBOH AND FARMERS SHAREHOLDERS**

Those shareholders of NBOH that do not exercise dissenters' rights will receive Farmers common shares in the Merger and, therefore, will become shareholders of Farmers. Their rights as shareholders of Farmers will be governed by the Ohio Revised Code and by Farmers' Amended Articles of Incorporation and Amended Code of Regulations, while NBOH shareholders are currently governed by the Ohio Revised Code and by NBOH's Amended Articles of Incorporation and Code of Regulations. Although the rights of the holders of Farmers' common shares and those of the holders of shares of NBOH's common shares are similar in many respects, there are some differences. These differences relate to differences between provisions of the Amended Articles of Incorporation of Farmers and the Amended Articles of Incorporation of NBOH, and differences between provisions of the Amended Code of Regulations of Farmers and the Code of Regulations of NBOH.

The following chart compares certain rights of the holders of NBOH common shares to the rights of holders of Farmers common shares in areas where those rights are materially different. This summary, however, does not purport to be a complete description of such differences and is qualified in its entirety by reference to the relevant provisions of Ohio law and the respective corporate governance instruments of NBOH and Farmers.

**Quorum of Shareholders**

**NBOH**

Under NBOH's Code of Regulations, a majority of the shares issued and outstanding having voting power are requisite and will constitute a quorum at all meetings of shareholders for the transaction of business, except when a greater proportion is required by law, the Amended Articles of Incorporation or the Code of Regulations.

**Call of Special Meeting of Shareholders**

**NBOH**

NBOH's Code of Regulations provides that meetings of shareholders may be called by the president or a vice president, or the directors by action at a meeting, or a majority of the directors acting without a meeting or by the secretary of the corporation upon the order of the board of directors, or by the persons who hold fifty percent of all the shares outstanding and entitled to vote at the meeting.

**Authorized Capital**

**NBOH**

**Farmers**

Under Farmers' Amended Code of Regulations, shareholders representing not less than one third of the outstanding voting stock constitute a quorum for a meeting, except when a greater proportion is required by law or the articles of incorporation.

**Farmers**

Farmers' Amended Code of Regulations provides that special meetings of shareholders may be called at any time by the chairman of the board of directors, president or a vice president, or a majority of the board of directors acting with or without a meeting, or the holder or holders of one-fourth of all shares outstanding and entitled to vote at the meeting.

**Farmers**

NBOH's Amended Articles of Incorporation authorize NBOH to issue up to six million shares all of which will be without par value.

Farmers' Amended Articles of Incorporation authorize Farmers to issue up to thirty-five million shares, each without par value.

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**Removal of Directors**

**NBOH**

NBOH's Code of Regulations provides that all the directors, or all the directors of a particular class, if any, or any individual director may be removed from office, without assigning any cause, by the vote of the holders of a majority of the voting power entitling them to elect directors in place of those to be removed.

**Cumulative Voting**

**NBOH**

NBOH's Code of Regulations provides that, subject to the satisfaction of certain notice requirements, each shareholder has the right to cumulate the voting power he possesses and to give one candidate as many votes as the number of directors to be elected multiplied by the number of his votes equals, or to distribute his votes on the same principle among two or more candidates, as he sees fit.

**Pre-emptive Rights**

**NBOH**

NBOH's Amended Articles of Incorporation do not grant pre-emptive rights to shareholders.

**Amendment of Articles of Incorporation and Code of Regulations**

**NBOH**

NBOH's Amended Articles of Incorporation provide that any amendments to the Amended Articles of Incorporation require the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of NBOH, except that an amendment of the article relating to certain business combinations requires the affirmative vote of

**Farmers**

Farmers' Amended Code of Regulations provides that any or all of the directors shall only be removed with cause and only by the affirmative vote of the holders of not less than sixty-six and two-thirds percent of the voting stock of the corporation at a meeting called for such purpose.

**Farmers**

Farmers' Amended Articles of Incorporation provide that no shareholder has the right to vote cumulatively in the election of directors.

**Farmers**

Farmers' Amended Articles of Incorporation provide that, subject to certain exceptions, shareholders have the right to purchase shares in any offering or sale by Farmers of shares for cash in proportion to their respective holdings of Farmers common shares.

**Farmers**

Farmers' Amended Articles of Incorporation may only be amended by the affirmative vote of the holders of shares of Farmers entitling them to exercise at least two-thirds of voting power of Farmers, except that an amendment of the article relating to certain control share acquisitions and business combinations requires

eighty percent of the voting power of NBOH.

NBOH's Code of Regulations provides that the Code of Regulations may be amended or new regulations adopted by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power on such proposal, except for the amendment of certain provisions relating to the location, date and call of shareholder meetings which requires the affirmative vote of eighty percent of the voting power of NBOH.

the affirmative vote of seventy-five percent of the voting power of Farmers.

Farmers' Amended Code of Regulations provides that the Amended Code of Regulations may be amended or repealed by the affirmative vote of the holders of a majority of the voting power of Farmers, or, without a meeting, by the written consent of the holders of two-thirds of the voting power of Farmers.

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**Votes Required to Approve Certain Transactions**

**NBOH**

Unless the prior approval of two-thirds of the continuing directors has been obtained, NBOH's Amended Articles of Incorporation require the affirmative vote of the holders of not less than eighty percent of the voting stock for the approval or authorization of any business transactions with a related person, or any business transaction in which a related person has an interest (except proportionately as a shareholder).

**Farmers**

Pursuant to Farmers' Amended Articles of Incorporation, a control share acquisition must be approved by the shareholders. If the control share acquisition is approved by at least two-thirds of the board of directors, then the proposed control share acquisition must be approved by the affirmative vote of at least a two-thirds of the voting power of Farmers. If the control share acquisition is not so approved by the board of directors, the proposed control share acquisition must be approved by the affirmative vote of at least eighty per cent of the voting power of Farmers.

**Provisions with Possible Anti-Takeover Effects**

**NBOH**

Certain provisions of NBOH's Amended Articles of Incorporation and Code of Regulations provide anti-takeover protections which include:

the division of the board of directors into three classes;

the supermajority voting requirements for certain corporate transactions;

limiting the business at special meetings to the purpose stated in the notice of the meeting; and

the broad range of factors that NBOH's board of directors may consider in evaluating proposed business combinations and tender offer proposals.

**Farmers**

Farmers' Amended Articles of Incorporation and Amended Code of Regulations contain provisions that may serve as anti-takeover protections, which include:

the division of the board of directors into three classes;

the ability of Farmers' board to fill vacancies and newly created directorships by a vote of the majority of the directors then in office; and

the supermajority voting requirements for certain corporate transactions.





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**INFORMATION ABOUT NBOH**

**NBOH Directors and Officers**

James R. Smail, age 68, is Executive Chairman of the Board. Mr. Smail has served as a Director of NBOH since 2009. In addition to serving as Chairman, Director and Chief Executive Officer of J.R. Smail, Inc. since 1975, Mr. Smail serves as Chairman of the Board and Director of Monitor Bancorp, Inc. since 1972 as well as currently and previously numerous other directorships with energy, financial and ranching companies. The Board concluded that Mr. Smail should serve as a director of NBOH primarily due to his experience in managing businesses and his experience in the financial institution industry as well as his entrepreneurial skills. This background enables Mr. Smail to provide valuable insights to the Board in evaluating the business conditions in markets in which NBOH operates, as well as setting corporate strategy.

Mark R. Witmer, age 50, has served as President and Chief Executive Officer of NBOH and FNB since January 1, 2012, as well as a Director of NBOH since 2012. Mr. Witmer served as Senior Vice President, Agribusiness and Community Banking from August 16, 2011 until December 31, 2011. Mr. Witmer served as Vice President, Agribusiness and Community Banking from July 26, 2010 until August 21, 2011. Mr. Witmer served as Dealer/Manager, Executive Vice President and Chief Credit Officer at Farm Credit, Kentucky and Pennsylvania from July 2007 until July 2010. Prior to his duties with Farm Credit, Mr. Witmer was Senior Vice President at Sky Bank, Salineville, Ohio from September 2000 until July 2007. The Board concluded that Mr. Witmer should serve as a director, as well as the President and Chief Executive Officer of NBOH, due to his 27 years of experience in and knowledge of community banking and agribusiness as well as significant community involvement. This background enables Mr. Witmer to provide valuable insights to the Board, particularly in evaluating the business conditions in markets in which NBOH operates, as well as in setting corporate strategy and compensating NBOH's management.

Howard J. Wenger, age 72, has been the President of Wenger Excavating, Inc. since 1968, Lake Region Oil, Inc. since 1979 and Northstar Asphalt, Inc., Massillon Materials, Inc., and Stark Materials, Inc. since 1985, companies specializing in earthwork, underground utilities, asphalt paving, aggregates and oil and gas production, operating from Wayne and Stark Counties, Ohio. The Board concluded that Mr. Wenger should serve as a director of NBOH primarily due to his long experience in managing businesses and his entrepreneurial skills. In addition, Mr. Wenger has significant experience with NBOH, having served on the Board for 16 years since 1998. This background enables Mr. Wenger to provide valuable insights to the Board, particularly in evaluating the business conditions in markets in which NBOH operates as well as in setting corporate strategy.

There are no family relationships among any of NBOH's directors or executive officers. No director or executive officer of NBOH, other than Mr. Smail, serves as a director of (1) a company with a class of securities registered under or that is subject to the periodic reporting requirements of the Securities Exchange Act of 1934; or (2) any investment company registered under the Investment Company Act of 1940. None of NBOH's directors or executive officers have been involved in any legal proceedings concerning bankruptcy, either individually or in respect of any businesses with which they have been involved. In addition, none of the directors has been convicted of any crime, excluding traffic violations and similar minor offenses.

**Transactions with Directors and Officers**

Directors, officers and their associates were customers of, and had transactions with, FNB in the ordinary course of business in 2014. Similar transactions can be expected in the future. All loans and loan commitments involving directors, officers and their associates were made by FNB on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than the normal risk of collectability or present other unfavorable features. All loans and loan commitments with directors and executive officers require advance approval by FNB's Board of Directors.

Table of Contents**Executive and Director Compensation****Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Nonqualified Non-equity Incentive Compensation		All Other Compensation (\$)	Total (\$)
						Deferred Compensation (\$)	Sign-on/Retention Compensation (\$)		
<b>Mark R. Witmer</b>	2014	\$ 240,000	\$ 70,000	\$	\$	\$	\$	\$ 11,888 <sup>(1)</sup>	\$ 321,888
President and Chief Executive Officer of	2013	\$ 219,167	\$ 57,500	\$	\$ 30,100 <sup>(2)</sup>	\$	\$	\$ 8,729 <sup>(3)</sup>	\$ 315,496
NBOH and FNB	2012	\$ 187,500	\$ 40,000	\$	\$ 17,700 <sup>(4)</sup>	\$	\$	\$ 6,053 <sup>(5)</sup>	\$ 251,253

- (1) Compensation reported in this column includes employer portion of health insurance coverage of \$3,524, employer contributions under FNB's 401 (k) plan of \$5,750; and \$2,614 cash payment from FNB equal to 20% of the purchase price of 650 NBOH common shares acquired by the employee on the open market.
- (2) Compensation reported represents the fair value of an incentive stock option award at the date of grant.
- (3) Compensation reported in this column includes employer portion of health insurance coverage of \$3,489, employer contributions under FNB's 401 (k) plan of \$4,375; and \$865 cash payment from FNB equal to 20% of the purchase price of 237 NBOH common shares acquired by the employee on the open market.
- (4) Compensation reported represents the fair value of an incentive stock option award at the date of grant.
- (5) Compensation reported in this column includes employer portion of health insurance coverage of \$3,378, and employer contributions under FNB's 401 (k) plan of \$2,675.

**Narrative Discussion to the Summary Compensation Table**

**Employment Agreement with Mr. Witmer** In July 2013, NBOH entered into an employment agreement with Mr. Witmer. The term of Mr. Witmer's employment period will continue until December 31, 2015 and shall be automatically extended for one year periods thereafter, unless Mr. Witmer gives or receives not less than ninety days prior written notice to or from NBOH that the employment period shall not be so extended.

Mr. Witmer's employment agreement entitled him to an annual salary of \$230,000 through the period between July 16, 2013 and December 31, 2013; \$240,000 for the period between January 1, 2014 and December 31, 2014; and \$250,000 for the period between January 1, 2015 and December 31, 2015.

Pursuant to his employment agreement, Mr. Witmer may also be provided with certain compensation in the event that, during the term of the agreement, (1) a change in control of NBOH occurs and (2) within twenty four months following such change in control, his employment is terminated either by NBOH or its successor without cause or by Mr. Witmer for good reason. Upon the occurrence of such event, such compensation will consist of (i) any accrued obligations owed to Mr. Witmer under any NBOH benefit plans or programs, (ii) a single lump sum payment equal to three times Mr. Witmer's base salary, (iii) payment of his annual bonus and (iv) a single lump sum payment equal to eighteen months of COBRA premiums consistent with the group health, dental and vision coverage in existence on the date of termination.

The Merger will constitute a change in control under the employment agreement. However, it is anticipated that Mr. Witmer will terminate his current employment agreement with NBOH and will continue his employment with Farmers after consummation of the Merger under Farmers' form of change-in-control agreement for executive officers. On the closing date of the Merger, Mr. Witmer will also be paid an annual bonus under his employment agreement, as pro-rated on a monthly basis from January 1, 2015 until the closing date.

No other named executives have written employment contracts.

**Equity Incentive Plan** On February 19, 2008, the Board adopted an Equity Incentive Plan (the Equity Incentive Plan), which was approved by the shareholders at the 2008 Annual Meeting. A key objective of the Equity Incentive Plan is to promote the success of NBOH's business by providing appropriate equity incentives to officers, employees, consultants and non-employee directors. The Equity Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock, other stock-based awards and performance-based compensation (sometimes referred to individually or collectively as Awards). All Awards granted under the Equity Incentive Plan shall be evidenced by an Award Agreement.

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The Equity Incentive Plan helps NBOH to (i) attract and retain qualified non-employee directors, executives and other key employees and consultants with appropriate equity-based awards, (ii) motivate high levels of performance, (iii) recognize employee contributions to NBOH's success, and (iv) align the interest of Equity Incentive Plan participants with those of NBOH's shareholders.

The Equity Incentive Plan also helps NBOH to remain competitive for qualified non-employee directors and executives, and skilled employees and consultants in the banking industry, particularly against similar companies competing for the same talent pool.

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

Name	Option Awards					Stock Awards			Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
	Number of Securities underlying unexercised options (#)	Number of Securities underlying exercised options (#)	Equity Incentive plan awards: Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares of stock that have not vested (#)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	
Mark R. Witmer	1,600	400 <sup>(1)</sup>		\$ 13.22	10/19/2020				
	6,000	4,000 <sup>(2)</sup>		\$ 14.10	1/17/2022				
	2,000	8,000 <sup>(3)</sup>		\$ 19.00	12/16/2023				

(1) These stock options become exercisable on October 19, 2015.

(2) These stock options become exercisable in equal increments on January 17, 2016, and 2017.

(3) These stock options become exercisable in equal increments on December 16, 2015, 2016, 2017 and 2018.

**Share Ownership of Certain NBOH Beneficial Owners and Management**

The following table sets forth information with respect to the NBOH common shares beneficially owned by each director of NBOH, by certain executive officers of NBOH and by persons known to us who may be beneficial owners of more than 5% of NBOH common shares. The table also shows the number of shares owned by the directors and executive officers as a group as of the date of May 7, 2015. Except as otherwise indicated, each person shown in the table has sole or shared voting and investment power with respect to the common shares indicated. The business address of each director and executive officer of NBOH is 112 West Market Street, Orrville, Ohio 44667.

<b>Directors, Named Executive Officers and 5% Holders</b>	<b>Common Shares</b>	
	<b>Beneficially Owned <sup>(1)</sup></b>	<b>Percent Of Class</b>
John P. Cook, CPA, Ph.D.	8,600	*
Bobbi E. Douglas	6,913	*
John W. Kropf <sup>(2)</sup>	42,350	1.89%
John L. Muhlbach, Jr.	9,220	*
Thomas R. Poe	12,203	*
Victor B. Schantz	16,100	*
Steve Schmid <sup>(3)</sup>	17,104	*
James R. Smail	323,059	14.47%
James R. VanSickle	17,860	*
Howard J. Wenger <sup>(4)</sup>	94,590	4.23%
Mark R. Witmer	17,536	*
Albert W. Yeagley	8,857	*
All directors, executive officers as a group (14 people)	580,658	26.00%
MacNealy Hoover Investment Management, Inc. <sup>(5)</sup>	168,675	7.55%

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\* Beneficial ownership is less than 1% of the class

- (1) Includes the following number of NBOH common shares that may be acquired upon the exercise of outstanding options: Mr. Cook (4,800 shares); Ms. Douglas (3,871 shares); Mr. Kropf (4,800 shares); Mr. Muhlbach (4,800 shares); Mr. Poe (6,000 shares); Mr. Schantz (4,800 shares); Mr. Schmid (4,800 shares); Mr. Smail (400 shares); Mr. VanSickle (11,800 shares); Mr. Wenger (4,800 shares); Mr. Witmer (8,000 shares); Mr. Yeagley (4,800 shares); and all directors and executive officers as a group (69,671 shares).
- (2) Includes 5,880 common shares owned by John W. Kropf's spouse.
- (3) Includes 9,008 common shares owned by Steve Schmid's spouse.
- (4) Includes 11,596 common shares owned by Howard J. Wenger's spouse.
- (5) Amounts based on correspondence with MacNealy Hoover Investment Management, Inc. on May 8, 2015. The address for MacNealy Hoover Investment Management, Inc. is 200 Market Avenue North, Suite 200, Canton, Ohio 44702.

**Description of NBOH's Business**

NBOH is a one-bank holding company organized in 1985 under the laws of the State of Ohio and is registered under the BHCA. NBOH operates through its wholly-owned subsidiary, FNB. FNB is a full-service national banking association engaged in banking through a network of 14 offices located in Wayne, Medina, Stark, and Columbiana counties in Ohio.

NBOH and FNB's history spans more than 133 years. Some of the milestones are as follows:

- 1881 FNB's predecessor is chartered under the name Orrville Banking Company
- 1902 the bank's name is changed to Orrville National Bank
- 1933 the bank is reorganized and renamed the National Bank of Orrville
- 1965 the bank opens its first branch at 1320 West High Street, Orrville, Ohio
- 1968 the bank merges with the FNB of Dalton, becoming FNB Orrville-Dalton
- 1969 the bank merges with FNB of Mt. Eaton Company
- 1972 the bank merges with the Farmers and Merchants Bank Company of Smithville and renamed to FNB
- 1975 FNB opens its Midway office in Apple Creek
- 1986 National Bancshares Corporation becomes the holding company for FNB on June 2
- 1989 FNB enters Medina County with the purchase of its Lodi office
- 1994 FNB establishes its second Medina County office with the purchase of the Seville office
- 1999 FNB opens its Cleveland Road office in the city of Wooster
- 2002 the acquisition of Peoples Financial Corporation and its subsidiary, Peoples Federal Savings and Loan Association of Massillon, is completed, adding three more banking offices, FNB's first offices in Stark County
- 2005 FNB closes its Marketplace office in Massillon and opens its Burbank Road office in Wooster
- 2005 FNB celebrates its 125 year anniversary
- 2009 FNB opens an office in Summit County, located at 3085 West Market Street in Fairlawn, Ohio
- 2010 FNB opens a loan production office in Columbiana County, located at 1070 East State Street in Salem, Ohio
- 2013 FNB sells its Fairlawn office and opens its Salem office in Salem, Ohio
- 2015 National Bancshares enters into the Merger Agreement with Farmers National Banc Corp.





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*Market Area.* NBOH's sole banking subsidiary is FNB. FNB operates 14 offices in Wayne, Medina, Stark and Columbiana Counties. Wayne County generally, and more specifically the city of Orrville and its other municipalities in the northeastern quadrant of Wayne County, constitutes the geographic center of FNB's market, extending from there to most of Wayne County, the southern portion of Medina County to the north, western Stark County to the east, the northeastern portion of Holmes County to the south and the north central portion of Columbiana County east of Stark County. With their dense urban populations and wide-ranging industries, including many service, manufacturing, retail and other establishments of all sizes, the cities of Cleveland in Cuyahoga County, Akron in Summit County, and Canton in Stark County lie in a crescent just beyond the northern and eastern ends of FNB's primary market area. FNB occupies a much more rural area with a significantly lower population density and less industrial diversity, and with a significantly higher proportion of small farm and related agricultural enterprises. Wayne County is largely rural. Holmes County is virtually entirely rural. The portions of Stark and Medina Counties occupied by FNB are somewhat less urban than the remainder of the historically urban and industrial Stark County and the remainder of Medina County, which has been growing very rapidly for many years because of its increasingly close association with urban centers in Cleveland and Akron.

Massillon is the largest urban center in FNB's market, with a population of slightly more than 32,100 according to the 2010 Census by Ohio Department of Development ([www.odod.state.oh.us/research](http://www.odod.state.oh.us/research)) data, followed by Wooster in Wayne County, with a population of approximately 26,000, and the city of Orrville in Wayne County, with a population just under 8,400. The total population of FNB's market area is estimated to be between 175,000 and 225,000, but a more precise figure is difficult to determine because FNB's market area does not necessarily correspond with the geographic and political boundaries employed when population data are compiled and reported. Of the counties that make up FNB's market area, Holmes, Stark, and Wayne benefit from an unemployment rate that is less than the state average, which was 4.8% according to 2014 Ohio Department of Job and Family Services (available at [lmi.state.oh.us](http://lmi.state.oh.us)). The unemployment rates at December 2014 are 4.6% in Stark County, 3.7% in Wayne County, and 2.9% in Holmes County. Meanwhile, Columbiana County had an unemployment rate of 5.1% and Medina County had an unemployment rate of 5.0% at December 2014.

*Competition.* The banking industry in FNB's market areas is highly competitive. In addition to competing with other commercial and savings banks and savings and loan associations, FNB competes with credit unions, finance companies, leasing companies, mortgage companies, insurance companies, brokerage and investment banking firms, asset-based non-bank lenders and many other financial service firms. Competition is based on interest rates offered on deposit accounts, interest rates charged on loans and leases, fees and service charges, the quality and scope of the services rendered, the convenience of banking facilities and, in the case of loans to commercial borrowers, relative lending limits, as well as other factors.

A substantial number of the commercial banks operating in FNB's market area are branches or subsidiaries of much larger organizations affiliated with statewide, regional or national banking companies and as a result may have greater resources and lower costs of funds than FNB. Additionally FNB faces competition from a large number of community banks. Despite the highly competitive environment, management believes FNB will continue to be competitive because of its strong commitment to quality customer service, convenient local branches, active community involvement and competitive products and pricing.

The share of deposits held by a particular banking institution relative to all other banking institutions in a particular market is not the only, but it is perhaps the most readily identifiable, indicator of a Bank's market share. As a percent of all deposits held by Federal Deposit Insurance Corporation (FDIC)-insured banks and savings associations in the county, according to FDIC data available on the FDIC's website ([www.fdic.gov](http://www.fdic.gov)) one institution had a market share exceeding 17% in three of four counties as of June 30, 2014. One institution has more than 24% of the market share in Columbiana County. Based on the FDIC's June 30, 2014 deposit data, FNB had a 17.5% share of deposits in Wayne

County (ranking 3rd of 12 FDIC-insured institutions), 0.8% in Stark County (11<sup>th</sup> of 18), and 1.0% in Medina County (14<sup>th</sup> of 15), and 1.0% in Columbiana County (11<sup>th</sup> of 12). FNB has no offices in Holmes County.

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Because of the demand for technology-driven products, FNB relies increasingly on unaffiliated vendors to provide data processing services and other core banking functions. The use of technology-related products, services, delivery channels, and processes exposes banks to various risks, particularly transaction, strategic, reputation, and compliance risk.

*Lending.* Lending practices are governed by FNB’s Credit Policy, which is approved annually by the Board of Directors, and by regulations and policies of the OCC, the principal federal regulator of national banks. The Credit Policy delegates lending authority to the President & Chief Executive Officer, Executive Vice President & Senior Loan Officer, and all loan officers. The Credit Policy also establishes guidelines for credit types, loan mix, concentration of credit, and credit standards.

FNB makes commercial real estate loans, commercial loans, residential real estate and home equity loans, and consumer loans. A significant portion of FNB’s lending consists of origination of conventional loans secured by 1-4 family real estate located in FNB’s market area. FNB’s residential mortgage loans generally are originated with loan documentation permitting sale to Federal Home Loan Mortgage Corporation.

FNB’s commercial loan services include

- commercial real estate loans, including agricultural loans secured by farmland
- selected guaranteed or subsidized loan programs for small businesses
- loans for agricultural production and other loans to farmers
- loans to professionals
- renewable operating lines of credit
- term business loans
- loans to finance capital equipment
- short-term notes

Commercial real estate loans include commercial properties occupied by the proprietor of the business conducted on the premises and income-producing or farm properties. Agricultural loans secured by farmland are a subset of our commercial real estate loan products, whereas we also categorize loans for agricultural production and other loans to farmers as commercial loans (not secured by real estate). The primary risk of commercial real estate loans is loss of income of the owner or occupier of the property or the inability of the market to sustain rent levels. Although commercial and commercial real estate loans generally bear somewhat more credit risk than single-family residential mortgage loans, commercial and commercial real estate loans tend to be higher yielding, tend to have shorter terms, and commonly provide for interest-rate adjustments as prevailing rates change. Accordingly, commercial and commercial real estate loans enhance a lender’s interest rate risk management and, in management’s opinion, promote more rapid asset and income growth than a loan portfolio comprised strictly of residential real estate mortgage loans.

Although a risk of nonpayment exists for all loans, certain specific types of risks are associated with various kinds of loans. One of the primary risks associated with commercial loans is the possibility that the commercial borrower will not generate income sufficient to repay the loan. FNB’s loan policy provides that commercial loan applications must be supported by documentation indicating that there will be cash flow sufficient for the borrower to service the proposed loan. Financial statements or tax returns must be submitted, and annual reviews are undertaken. The fair market value of collateral for collateralized commercial loans must exceed FNB’s loan exposure. For this purpose fair market value is determined by independent appraisal.

Real estate is commonly a material component of collateral for FNB's loans, including commercial loans. Although the expected source of repayment of these loans is generally the operations of the borrower's business or personal income, real estate collateral provides an additional measure of security. Risks associated with loans secured by real estate include fluctuating land values, changing local economic conditions, changes in tax policies, and a concentration of loans within a limited geographic area.

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FNB originates several different types of loans that it categorizes as construction loans, including

residential construction loans to borrowers who will occupy the premises upon completion of construction,

residential construction loans to builders,

commercial construction loans, and

real estate acquisition and land development loans.

Because of the complex nature of construction lending, these loans are generally recognized as having a higher degree of risk than other forms of real estate lending, including credit risk. FNB's fixed-rate and adjustable-rate construction loans may not provide for the same interest rate terms on the construction loan and on the permanent mortgage loan that follows completion of the construction phase of the loan. It is the norm for FNB to make residential construction loans with an existing written commitment for permanent financing.

FNB's consumer loans include secured and unsecured loans to individual borrowers for a variety of purposes, including personal, home improvement, revolving credit lines, autos, boats, and recreational vehicles. Historically, FNB has had minimal indirect lending activity. Unsecured consumer loans generally carry significantly higher interest rates than secured loans.

Loans and extensions of credit to a single borrower may not exceed 15% of capital, often referred to as the legal lending limit or loans-to-one-borrower limit. But an additional margin of 10% of capital is permitted for loans fully secured by readily marketable collateral. FNB can accommodate loan volumes exceeding the legal lending limit by selling participation interests in loans to other banks. As of December 31, 2014, FNB's legal lending limit for loans to a single borrower was approximately \$7.3 million.

*Loan Solicitation and Processing.* Loan originations are developed from a number of sources, including continuing business with depositors, other borrowers and real estate builders, solicitations by Bank personnel and walk-in customers.

When a loan request is made, FNB reviews the application, credit bureau reports, property appraisals or evaluations, financial information, verifications of income, and other documentation concerning the creditworthiness of the borrower, as applicable to each loan type. FNB's underwriting guidelines are set by senior management and approved by the Board. The loan policy specifies officers' loan approval authority, requiring approval by the Board's Directors Loan Committee or the full Board for any aggregate borrowing to one customer or related customers of \$1.0 million or more or if a loan is rated substandard or below.

*Income from Lending Activities.* FNB earns interest and fee income from its lending activities. Net of origination costs, loan origination fees are amortized over the life of a loan. FNB also receives loan fees related to existing loans, including late charges. Income from loan origination, commitment fees and discounts varies with the volume and type of loans and commitments made, and with competitive and economic conditions. Note 1 to the Consolidated Financial Statements included herein contains a discussion of the manner in which loan fees and income are recognized for financial reporting purposes.

*Delinquent Loans* Late charges on residential mortgages and consumer loans are assessed if a payment is not received by the due date plus a grace period. When an advanced stage of delinquency appears on a single-family loan and if repayment cannot be expected within a reasonable time or a repayment agreement is not entered into, a required notice of foreclosure or repossession proceedings may be prepared by FNB's attorney and delivered to the borrower so that foreclosure proceedings may be initiated promptly, if necessary. FNB also collects late charges on commercial loans.

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When FNB acquires real estate through foreclosure, voluntary deed, or similar means, it is classified as other real estate owned (OREO) until it is sold. When property is acquired in this manner, it is recorded at the fair value of the asset less the estimated costs to sell, and the loan amount reduced for the remaining balance of the loan. After the transfer to OREO, the fair value less costs to sell becomes the new cost basis for the OREO property. The amount by which the recorded investment in the loan exceeds the fair value (net of estimated cost to sell) of the OREO is charged to the allowance for loan losses. Subsequent declines in the fair value of OREO below the new cost basis are recorded through the use of a valuation allowance. All costs incurred from the date of acquisition to maintain the property are expensed.

*Investments* Investment securities provide a return on residual funds after lending activities. Investments may be in corporate securities, U.S. Government and agency obligations, state and local government obligations and mortgage-backed securities. FNB generally does not invest in securities that are rated less than investment grade by a nationally recognized statistical rating organization. All securities-related activity is reported to FNB's Board of Directors. General changes in investment strategy are required to be reviewed and approved by the Board. The President & Chief Executive Officer and the Chief Financial Officer can purchase and sell securities in accordance with FNB's stated Investment Policy.

*Sources of Funds – Deposit Accounts.* Deposit accounts are a major source of funds for FNB. FNB offers a number of deposit products to attract both commercial and regular consumer checking and savings customers, including regular and money market savings accounts, NOW accounts, and a variety of fixed-maturity, fixed-rate certificates with maturities ranging from seven days to 60 months. These accounts earn interest at rates established by management based on competitive market factors and management's desire to increase certain types or maturities of deposit liabilities. FNB also provides debit cards, gift cards, travel cards, travelers' checks, official checks, money orders, ATM services, and IRA accounts.

*Borrowings.* Deposits, repayment of mortgage-backed securities and repayment of loan principal are FNB's primary sources of funds for lending activities and other general business purposes. However, when the supply of lendable funds or funds available for general business purposes cannot satisfy the demand for loans or general business purposes, FNB can obtain funds from the Federal Home Loan Bank (FHLB) of Cincinnati. In addition to borrowing from the FHLB on a term-loan basis, FNB has a line of credit with the FHLB that allows FNB to borrow in an amount based on a percentage of FNB's pledged eligible mortgages. All or substantially all of FNB's mortgage loans are pledged to the FHLB. As of December 31, 2014, FNB had additional borrowing capacity of approximately \$39.9 million from the FHLB. Interest is payable monthly, and the line of credit is secured by a blanket pledge collateral agreement. FNB also has access to credit through the Federal Reserve Bank (FRB) of Cleveland and other funding sources.

*Personnel* As of December 31, 2014, FNB had 111 full-time equivalent employees. A collective bargaining group represents none of the employees. Management considers its relations with employees to be excellent.

*Available Information* NBOH makes available, free of charge, through the Investor Relations section of its Internet website at [www.discoverfirstnational.com](http://www.discoverfirstnational.com), its annual report, and quarterly earnings reports, including amendments to those reports. Also NBOH's Corporate Governance and Nominating Committee Charter, Compensation Management and Development Charter and Audit Committee Charter are available under the Investor Relations section on its website.

**NBOH Management's Discussion and Analysis of Results of Operations and Financial Condition**



This information should be read in conjunction with the consolidated financial statements and accompanying notes to the financial statements.

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**Table of Contents***Management Strategy*

NBOH is a community-oriented financial institution offering a variety of financial services to meet the needs of the communities it serves. NBOH attracts deposits from the general public and uses such deposits, together with borrowings and other funds, primarily to originate commercial and commercial real estate loans, residential real estate loans, home equity loans and lines of credit and consumer loans.

During 2014, NBOH operated under a strategic plan which is updated, modified and adopted annually by the Board of Directors. The plan calls for achieving an above peer return on equity, achieving a loan to asset ratio in the range of 70% to 80%, maintaining a net overhead ratio below 2.3%, maintaining cash-type deposits above 70%, achieving a net interest margin of at least 3.50%, maintaining a risk based capital ratio of at least 12% and holding the classification ratio at 20% or less.

Historically, NBOH's low loan-to-assets ratio has negatively impacted its net interest margin and return on equity. In 2010, the Board and Management established a goal of changing NBOH's asset mix by increasing the loan to asset ratio. FNB formed a new Agribusiness and Community Banking Group in 2010 to focus on agriculture lending and cash management services. Business bankers and mortgage originators were added and office managers underwent increased consumer loan training. The credit administration staff was increased to five employees to improve credit underwriting and loan monitoring. These initiatives have been successful and are the primary reason loans, net of allowance for loan losses, increased from \$190.7 million at December 31, 2010 to \$398.6 million at December 31, 2014. On December 31, 2014, the loan-to-asset ratio was 76.0%.

The net overhead ratio is calculated by netting total non-interest expense and total non-interest income, excluding gains/losses and dividing by the period's average total assets. A lower ratio indicates a higher degree of efficiency. The net overhead ratio for 2014 was 1.74%, compared to 1.93% and 2.18% in 2013 and 2012. Reducing the net overhead ratio was accomplished as FNB was able to grow assets without significantly adding to expenses.

NBOH benefits from a cash-type deposit ratio of 82.4%. Maintaining cash-type deposits above 70% will be challenging but can be accomplished through the increased productivity of NBOH's retail office system which generates core funding cash-type deposits. NBOH benefits from its strong core deposit base which is much higher than peer and its strong core deposit base significantly enhances value and makes it possible for assets to be supported by stable and relatively low cost funding. While NBOH enjoys low cost of funds, this cost advantage comes at the price of increased overhead expenses discussed above which is a result of the relatively small size of many of its offices.

NBOH's net interest margin for 2014 was 3.76%. Maintaining a net interest margin of at least 3.50% in a low rate environment will be accomplished through loan growth which will result in the reduction of securities as a percentage of assets. The banking business starts with loans. Loans are supported by deposits and capital is needed to support the volume of loans and deposits. Without loans there is no need for deposits and certainly there is no need for capital. NBOH has historically relied too heavily on income from its securities portfolio and that was a reasonable plan when the term structure of interest rates accommodated such a business plan. Unfortunately that reliance is misplaced in a nearly zero interest rate environment. Securities are of course needed for liquidity and income but the overreliance on securities as a source of interest income is inappropriate.

A strong capital ratio is critical to FNB's safety and soundness. A bank must have a risk-based capital ratio over 10% to be considered well capitalized by its regulators. NBOH's Board of Directors has established a goal of maintaining a risk-based capital ratio of 12% to protect the financial stability of the organization. The risk-based capital ratio was 12.65% as of December 31, 2014.

The classification ratio is calculated using total adversely classified assets (excluding special mention loans) divided by Tier 1 capital plus allowance for loan losses. The classification ratio was 8.2%, 6.1% and 17.7% as of December 31, 2014, 2013 and 2012.

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In 2014, loans, net of allowance for loan losses increased \$74.2 million from year-end 2013. FNB has been taking advantage of the opportunity to lend to businesses in search of a bank that will be responsive to their credit needs as other banks have tightened lending requirements. Loans secured by farmland and agricultural production loans increased \$18.7 million, or 36.1% during 2014. One-to-four family real estate loans increased \$22.4 million, or 25.3% during the year ended December 31, 2014.

The securities portfolio is an important source of income. However, income from securities will decline unless interest rates rise significantly, as cash flow from maturing securities and cash flow from mortgage backed securities is reinvested at lower interest rates. Changing market conditions could affect the profitability of the portfolio, as well as the level of interest rate risk exposure. FNB invests in securities it believes offer good relative value at the time of purchase, and it will reposition its securities portfolio as needed. In making its decisions to sell or purchase securities, FNB considers credit ratings, call features, maturity dates, relative yields, current market factors, interest rate risk and other relevant factors. FNB's loan growth in 2014 has enabled management to invest most of the proceeds from the maturities and repayment of securities in loans.

The average yield of the securities portfolio was 3.90% as of December 31, 2014. The portfolio duration was 2.4 years and based on current interest rates and payment assumptions, cash flows of \$12.0 million are projected over the next twelve months. The yield on securities is expected to decline in 2015 as cash flows are reinvested in the current low interest rate environment. FNB will continue to monitor market conditions and invest in securities with good relative value.

Platinum Checking, a high-interest checking account for clients with balances above \$10 thousand, accounted for \$81.3 million or 19.4% of total deposits at December 31, 2014. Bonus Checking, an account that pays bonus interest to clients that use FNB's Visa debit card, receive their account statement online, and make at least one electronic direct deposit accounted for \$17.3 million of deposits at December 31, 2014. In March 2010, NBOH introduced Bonus Savings, a high-yield savings account that is available to customers that have a Bonus Checking account. Bonus Savings accounted for \$13.1 million as of December 31, 2014. In 2014 total deposits grew \$31.8 million or 8.2%.

OCC regulations require banks to maintain certain minimum levels of regulatory capital. Additionally, the regulations establish a framework for the classification of banks into five categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Generally, an institution is considered well-capitalized if it has a core (Tier 1) capital ratio of at least 5.0% (based on adjusted total assets); a core (Tier 1) risk-based capital ratio of at least 6.0%; and a total risk-based capital ratio of at least 10.0%. At December 31, 2014, FNB is categorized as well capitalized under the regulatory framework for prompt corrective action and capital ratios were well above regulatory minimums.

NBOH is not aware of any market or institutional trends, events or uncertainties that are expected to have a material effect on liquidity, capital resources or operations. NBOH is not aware of any current recommendations by its regulators which would have a material effect if implemented. NBOH has not engaged in sub-prime lending activities and does not plan to engage in those activities in the future.

*Financial Condition*

Total assets increased 11.2% to \$529.6 million as of December 31, 2014, from \$476.2 million at December 31, 2013. Securities available for sale totaled \$77.9 million as of December 31, 2014, compared to \$93.8 million at December 31, 2013. Loans, net of allowance for loan losses increased \$74.2 million to \$398.6 million as of December 31, 2014, compared to \$324.4 million at December 31, 2013. Deposits increased 8.2% to \$418.3 million as of December 31, 2014, compared to \$386.6 million at December 31, 2013. Shareholders' equity increased 12.8% to

\$52.5 million at the end of 2014, from \$46.6 million at the end of 2013. Accumulated other comprehensive income increased to \$2.5 million as of December 31, 2014, compared to \$1.7 million as of December 31, 2013. The change in accumulated other comprehensive income was a result of an increase in unrealized gains on securities available for sale, net of tax.

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Total loans increased by \$74.4 million or 22.7% from year-end 2014 to year-end 2013. FNB continues to focus its efforts on attracting commercial loan business. Average loans, net of allowance for loan losses increased from \$291.6 million in 2013 to \$360.9 million in 2014.

FNB's loan policy limits the balances of loans of certain loan categories as follows: up to 70% of total loans for commercial loans, up to 40% of total loans for consumer loans, up to 60% of total loans for residential real estate loans and up to 300% of total capital for commercial real estate loans.

	Loan portfolio composition at December 31,				
	2014	2013	2012	2011	2010
	(Dollar amounts in thousands)				
<b>Commercial real estate:</b>					
Commercial real estate	\$ 66,633	\$ 59,807	\$ 59,484	\$ 55,520	\$ 58,047
Secured by farmland	47,918	35,846	23,161	11,609	0
Construction and land development	19,390	9,746	8,682	4,822	9,942
<b>Commercial:</b>					
Commercial and industrial	40,144	42,489	37,138	30,165	26,158
Agricultural production	22,528	15,912	12,107	3,721	0
<b>Residential real estate:</b>					
One-to-four family	110,801	88,451	69,364	56,261	47,204
Multifamily	16,029	15,687	18,660	17,041	14,397
Construction and land development	8,443	6,890	959	683	301
Home equity	40,087	35,358	31,218	30,086	27,766
<b>Consumer:</b>					
<b>Auto:</b>					
Direct	16,875	11,839	5,436	3,866	2,474
Indirect	58	305	1,087	2,740	6,401
Other	13,269	5,757	1,780	980	989
<b>Total loans</b>	<b>402,175</b>	<b>328,087</b>	<b>269,076</b>	<b>217,494</b>	<b>193,679</b>
<b>Less:</b>					
Unearned and deferred income	470	140	(137)	(379)	(409)
Allowance for loan losses	(4,063)	(3,872)	(3,400)	(3,163)	(2,585)
<b>Net loans</b>	<b>\$ 398,582</b>	<b>\$ 324,355</b>	<b>\$ 265,539</b>	<b>\$ 213,952</b>	<b>\$ 190,685</b>
<b>Net loans as a percent of total assets</b>	<b>75.26%</b>	<b>68.11%</b>	<b>60.24%</b>	<b>52.69%</b>	<b>50.97%</b>

Ranked by North American Industry Classification System or NAICS codes, the industries most represented by FNB's commercial borrowers include dairy cattle farming, lessors of non-residential buildings, and lessors of residential buildings and dwellings, in that order, accounting for 8.2%, 7.1%, and 7.1% of the total loans at year-end 2014, respectively.

Approximately 75.3% of the conventional mortgage loans secured by one-to-four family and multifamily real estate are long term fixed interest rate loans. Approximately 24.7% of the portfolio of conventional mortgage loans secured

by one-to-four family and multifamily real estate at year-end 2014 consisted of adjustable rate loans. FNB's fixed-rate conventional mortgage loans are originated with loan documentation that permits their sale in the secondary market. FNB's policy is to classify all thirty year fixed-rate mortgage loans as Held for Sale or Held for Portfolio at the time the loans are originated within various scenarios and classifications set by FNB. The classification is based upon several factors such as FNB's interest rate risk position, the loan's interest rate and term, FNB's liquidity position, the interest rate environment and general economic conditions.

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As explained in Note 1 of the consolidated financial statements, the allowance for loan losses is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses and recoveries, and decreased by charge-offs. The allowance for loan losses is the sum of components recognized and measured either: (1) according to Accounting Standards Codification (ASC) 450-10-05, Accounting for Contingencies, for pools of homogenous loans, or (2) according to ASC 310-10-35, Accounting by Creditors for Impairment of a Loan, for loans FNB considers impaired based upon individual loan review. Management determines the necessary allowance balance using FNB's loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed.

*Loans Analyzed Individually*

Determining the loan loss allowance begins with FNB's assessment of credit risk for loans analyzed individually. Individual loans are assigned credit-risk grades based on FNB's assessment of conditions affecting a borrower's ability to satisfy its contractual obligation under the loan agreement. The assessment process includes reviewing a borrower's current financial information, historical payment experience, credit documentation, public information, current economic trends and other information specific to each borrower. Loans reviewed individually are reviewed at least annually or more frequently if management becomes aware of information affecting a borrower's ability to fulfill its obligation. All loans over \$250 thousand or to borrower's whose aggregate total borrowing exceeds \$250 thousand are reviewed individually, except for first and second mortgage loans on a borrower's personal residence. Loans or borrowers with balances under \$250 thousand may also be reviewed individually if considered necessary by the Board and management. A borrower's risk rating may be downgraded at any point during the year if the creditworthiness of a borrower deteriorates. In addition, risk ratings are reviewed annually by a qualified independent third party. The independent third party reviews all aggregate loan relationships of \$300 thousand or greater along with a sampling of loan relationships under \$300 thousand. Loans analyzed individually are ranked as follows:

**Loans Graded 1, 2, 3, 4 and 5** are loans that are considered satisfactory, with lower than average risk and low probability of serious financial deterioration on the borrower's part.

**Loans Graded 6 ( Special Mention )** have more than average risk, with identified potential weaknesses that deserve management's close attention. Left uncorrected, the potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. In the case of a commercial borrower, for example, potential weaknesses could include adverse trends in the borrower's operations or adverse economic or market conditions that could affect the borrower in the future.

**Loans Graded 7 ( Substandard )** are inadequately protected by the current financial condition and paying capacity of the borrower or by the collateral securing the loan. Substandard loans have a well-defined weakness or weaknesses jeopardizing collection of the debt in full, with a distinct possibility of loss if the weakness or weaknesses are not corrected. Loans may be classified substandard even if payments are not 90 days or more past due. Loans 90 days or more past due are classified as substandard or lower unless the loan is adequately collateralized and in the process of collection.

**Loans Graded 8 ( Doubtful )** have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, condition and values, highly questionable and improbable. The possibility of loss is extremely high, but because of factors that could work to the borrower's advantage classification of the doubtful loan as loss is deferred.



**Loans Graded 9 ( Loss )** are those considered uncollectible or portions of loans that are considered uncollectable. Loans in this category are charged-off by management.

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If it is probable that FNB will be unable to collect all principal and interest due on a commercial or non-homogenous loan then that loan is considered impaired. The measure of impairment is based on the present value of expected future cash flows discounted at the loan's effective interest rate or the value of collateral less estimated costs to sell for collateral dependent loans, compared to the recorded investment in the loan (including accrued interest, net deferred loans fees or costs, and unamortized premium or discount). FNB considers commercial or non-homogenous loans graded doubtful or loss to be impaired. Some loans graded substandard are considered impaired. Special mention and watch loans are not considered to be impaired. Impairment is evaluated in total for smaller-balance loans of similar type and purpose such as residential mortgage and consumer and on an individual loan basis for other loans (other loans consists of loans to non-profit organizations and loans collateralized with cash). If a loan is impaired, a portion of the loan loss allowance is allocated so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Increases in the allowance for loan losses are made by expensing a provision for loan losses. No specific provision for loan losses expense would result if an individually reviewed loan is graded higher than watch, but such loans are included in the pools of loans analyzed under ASC 450-10-05. Loans classified special mention or substandard, and smaller-balance loans classified doubtful are assigned a provision based upon a historical migration analysis performed on classified loans. The migration analysis identifies the percentage of classified loans by category that has historically been ultimately charged-off. The migration percentages are reviewed and adjusted by management to reflect various factors such as the growth and change in mix of the loan portfolio and the regulator's guidelines. Loans ranked loss are charged off in their entirety because at that point the unconfirmed loss that the loan loss allowance is intended to approximate is considered to be confirmed.

As of December 31, 2014, 2013 and 2012 classified assets were as follows:

	Classified assets at December 31,					
	2014		2013		2012	
	Amount	Percent of total loans	Amount	Percent of total loans	Amount	Percent of total loans
(Dollar amounts in thousands)						
<b>Classified loans:</b>						
Special mention	\$ 2,012	0.5%	\$ 2,643	0.8%	\$ 3,028	1.1%
Substandard	3,953	1.0%	2,590	0.8%	5,689	2.1%
Doubtful	0	0.0%	0	0.0%	0	0.0%
Loss	0	0.0%	0	0.0%	0	0.0%
Total classified loans	5,965	1.5%	5,233	1.6%	8,717	3.2%
Other real estate owned	743	0.2%	789	0.2%	860	0.3%
Total classified assets	\$ 6,708	1.7%	\$ 6,022	1.8%	\$ 9,577	3.5%

Total classified loans increased from \$5.2 million at December 31, 2013 to \$6.0 million at December 31, 2014. FNB's classification ratio was 8.2% and 6.1% as of December 31, 2014 and December 31, 2013. The classification ratio is calculated using total adversely classified assets (excluding special mention loans) divided by Tier 1 capital plus allowance for loan losses.

*Pools of Loans Analyzed under ASC 450*

The total loan loss allowance is derived both from analysis of individual impaired loans under ASC 310-10-35 and analysis of aggregated pools of loans under ASC 450. Smaller balance loans (such as automobile or home equity loans, for example), groups of loans (such as residential mortgage loans), and less severely classified loans reviewed individually may be analyzed on an aggregated or pooled basis under ASC 450.

Under ASC 450, loans are segmented into groups of loans having similar risk characteristics based on purpose, loan type, and collateral, for example residential mortgage loans, home equity loans, and consumer

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loans. Losses inherent in pools of loans are estimated using average historical losses over a period of years for loans of those types, but with adjustments to account for changes in loan policies, changes in underwriting or loan recovery practices, changes in prevailing economic conditions, changes in the nature or volume of the loan portfolio, and changes in other internal and external factors. Loans secured by real estate – particularly residential mortgage loans generally have less credit risk than other types of loans.

*Changes in the Allowance for Loan Losses and Classified Assets*

An effective loan review function is vital to the establishment of an appropriate loan loss allowance. Loan officers and FNB's credit analysts are responsible for the assignment of risk ratings for loans reviewed individually. Each quarter, a committee consisting of FNB's Chief Financial Officer and Senior Credit Officer evaluates the loan loss allowance and reports the results of its evaluation to senior management and FNB's Board of Directors. FNB may adjust its loan loss allowance methodology as well, making adjustments in its estimates and assumptions as necessary to account for variances of estimated loan losses from actual loan loss experience. FNB's determination about classification of its assets and the amount of its allowances is subject to review by the OCC, which may order the establishment of additional loss allowances.

The allowance for loan losses increased from \$3.9 million as of December 31, 2013, to \$4.1 million at December 31, 2014. The allowance for loans losses to total loans decreased from 1.18% at year-end 2013 to 1.01% at December 31, 2014. Net charge-offs increased from \$23 thousand in 2013 to \$108 thousand in 2014. The provision for loan losses for 2014 was \$299 thousand, compared to \$602 thousand in 2013. The increase in the allowance for loan losses in 2014 was primarily related to the increase in loan balances outstanding.

Total nonperforming loans increased from \$462 thousand as of December 31, 2013, to \$1.0 million at December 31, 2014. Non-performing loans consist of loans placed on non-accrual status and loans past due over 90 days and still accruing interest. Total loan delinquencies, including all loans greater than 30 days past due and nonaccrual loans, increased to \$2.2 million at December 31, 2014, from \$1.3 million as of December 31, 2013. In 2014, total classified loans increased from \$5.2 million to \$6.0 million. Management believes the allowance for loan losses is adequate as of December 31, 2014.

Loan review and monitoring is integral to effective credit administration and risk management. In order to minimize the credit risk inherent in the lending process, management and the Board of Directors has adopted a more formal and systematic approach with credit administration and loan review. As part of this systematic approach, a qualified independent third party was engaged to perform loan reviews in 2013 and 2012.

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Loans deemed uncollectible are charged against the allowance for loan losses. After a loan is charged off, FNB continues its efforts to recover the loss. Recoveries of previously charged-off amounts are credited to the allowance for loan losses. The charge-offs in 2012 relate primarily to two commercial real estate loans totaling \$763 thousand. The charge-offs in 2010 relate primarily to two commercial loans totaling \$1.7 million. Transactions in the allowance for loan losses are summarized in following table:

	Year ended December 31,				
	2014	2013	2012	2011	2010
	(Dollar amounts in thousands)				
Balance, beginning of period	\$ 3,872	\$ 3,400	\$ 3,163	\$ 2,585	\$ 2,906
Loans charged off:					
Commercial real estate:					
Commercial real estate	22	22	481	0	340
Construction land development	0	0	44	0	272
Commercial:					
Commercial and industrial	0	0	282	0	1,797
Residential real estate:					
One-to-four family	12	0	250	28	82
Multifamily	0	0	0	0	0
Construction and land development	0	0	0	0	0
Home equity	17	9	91	26	45
Consumer	72	10	41	17	40
Total loans charged off	123	41	1,189	71	2,576
Recoveries of loans previously charged off:					
Commercial real estate:					
Commercial real estate	0	0	0	0	0
Construction land development	0	0	1	1	0
Commercial:					
Commercial and industrial	0	0	10	25	10
Real estate construction:					
One-to-four family	1	0	5	0	0
Multifamily	0	0	0	0	0
Construction land development	0	0	0	0	0
Home equity	2	4	9	1	2
Consumer	12	14	27	22	24
Total recoveries	15	18	52	49	26
Net loans charged off	(108)	(23)	(1,137)	(22)	(2,550)
Provision charged to operations	299	602	1,374	600	2,229
Reduction related to loans included in asset disposal group	0	(107)	0	0	0
Balance, end of period	\$ 4,063	\$ 3,872	\$ 3,400	\$ 3,163	\$ 2,585

Loans outstanding:

Average	\$ 364,844	\$ 295,003	\$ 241,980	\$ 203,669	\$ 195,730
End of period	402,645	328,227	268,939	217,115	193,270
Ratio of allowance for loanlosses to total loans outstanding at end of period	1.01%	1.18%	1.26%	1.46%	1.34%
Net charge offs to average loans	0.03%	0.01%	0.47%	0.01%	1.30%

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The allowance for loan losses is allocated among loan categories as shown in the following table. Although FNB considers probable incurred losses in individual loans and categories of similar loans when it establishes the loan loss allowance, the allowance is a general reserve available to absorb all credit losses in the portfolio. No part of the allowance is segregated for or dedicated to any particular asset or group of assets.

	Allocation of the allowance for loan losses at December 31,									
	2014		2013		2012		2011		2010	
	Amount	Percent <sup>(1)</sup>	Amount	Percent <sup>(1)</sup>	Amount	Percent <sup>(1)</sup>	Amount	Percent <sup>(1)</sup>	Amount	Percent <sup>(1)</sup>
(Dollar amounts in thousands)										
Commercial real estate:										
Commercial real estate	\$ 772	17%	\$ 790	18%	\$ 1,267	22%	\$ 1,185	26%	\$ 1,019	30%
Secured by farmland	768	12%	678	11%	345	9%	146	5%	0	0%
Construction and land development	208	5%	153	3%	181	3%	149	2%	248	5%
Commercial:										
Commercial and Industrial	618	10%	739	13%	744	14%	801	14%	460	14%
Agricultural production	384	6%	311	5%	182	4%	55	2%	0	0%
Residential real estate:										
One-to-four family	720	27%	679	27%	292	26%	487	26%	510	24%
Multifamily	65	4%	90	5%	282	7%	225	8%	164	8%
Construction and land development	73	2%	70	2%	10	0%	9	0%	1	0%
Home equity	215	10%	226	11%	65	12%	66	14%	100	14%
Consumer:										
Auto:										
Direct	136	4%	91	3%	17	2%	21	2%	13	1%
Indirect	0	0%	2	0%	3	0%	14	1%	35	3%
Other	104	3%	43	2%	12	1%	5	0%	5	1%
Unallocated	0	0%	0	0%	0	0%	0	0%	30	0%
<b>Total</b>	<b>\$ 4,063</b>	<b>100%</b>	<b>\$ 3,872</b>	<b>100%</b>	<b>\$ 3,400</b>	<b>100%</b>	<b>\$ 3,163</b>	<b>100%</b>	<b>\$ 2,585</b>	<b>100%</b>

(1) Percent of loans in each category to total loans.

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Management reviews nonperforming assets on a regular basis and assesses the requirement for specific reserves on those assets. Any loan past due 90 days or more and any loan on nonaccrual is considered to be a nonperforming asset. Any loan 90 days or more past due that is not both adequately collateralized and in a positive cash-flow position and any loan to a borrower experiencing serious financial deterioration may be placed on nonaccrual by the Senior Credit Officer with the concurrence of senior management. Interest received on nonaccrual loans also referred to as nonperforming loans is recorded as a reduction of principal. The table to follow summarizes nonperforming loans and other nonperforming assets by category.

	2014	Problem assets at December 31, 2013 2012 2011 2010 (Dollar amounts in thousands)			
Nonaccrual loans	\$ 810	\$ 238	\$ 733	\$ 3,836	\$ 4,373
Past due 90 days or more and still accruing	245	224	471	181	487
Restructured loans and leases <sup>(1)</sup>	0	0	0	0	0
Total nonperforming loans	1,055	462	1,204	4,017	4,860
Other real estate owned	743	789	860	18	58
Total nonperforming assets	\$ 1,798	\$ 1,251	\$ 2,064	\$ 4,035	\$ 4,918
Loans outstanding, net	\$ 398,582	\$ 324,355	\$ 265,539	\$ 213,952	\$ 190,685
Nonperforming loans to total net loans	0.26%	0.14%	0.45%	1.88%	2.55%
Nonperforming assets to total assets	0.34%	0.26%	0.47%	0.99%	1.31%
Allowance for loan losses to total loans	1.01%	1.18%	1.26%	1.46%	1.34%
Allowance for loan losses to nonperforming loans	385.12%	838.10%	282.39%	78.74%	53.19%

(1) All restructured loans and leases as of the dates shown were on nonaccrual status and are included as nonaccrual loans and leases in this table.

**Securities**

Total securities decreased \$15.9 million or 16.9% at December 31, 2014, when compared to December 31, 2013. Securities are primarily comprised of mortgage-backed securities and municipal securities. FNB actively purchases bonds issued by local municipalities, school systems and other public entities when opportunities arise. Securities are classified either as held to maturity or as available for sale. FNB does not hold any securities for trading purposes. If management has the intent and FNB has the ability at the time of purchase to hold a security until maturity, the security is classified as held to maturity and it is reflected on the balance sheet at amortized cost. Securities to be held for indefinite periods and not intended to be held to maturity or on a long-term basis are classified as available for sale, and they are reflected on the balance sheet at their fair value. Management generally believes that all securities should be classified as available for sale but makes that determination at the time of purchase. In order to more effectively manage securities and to be in a better position to react to market conditions, at December 31, 2014, all securities were classified as available for sale. At year-end 2014 and 2013 there was no single issuer of securities where the total book value of such securities exceeded 10% of shareholders' equity, except for U.S. government and agency obligations.





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The following table shows the amortized cost and estimated fair values of NBOH's securities portfolio at the date indicated.

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
(Dollar amounts in thousands)				
<b>December 31, 2014</b>				
Available for sale:				
State and municipal	\$ 45,081	\$ 2,947	\$ (23)	\$ 48,005
Mortgage-backed: residential	28,964	838	0	29,802
Equity securities	23	35	0	58
<b>Total securities</b>	<b>\$ 74,068</b>	<b>\$ 3,820</b>	<b>\$ (23)</b>	<b>\$ 77,865</b>
<b>December 31, 2013</b>				
Available for sale:				
U.S. Treasury and federal agency	\$ 758	\$ 3	\$ 0	\$ 761
State and municipal	49,954	1,846	(219)	51,581
Mortgage-backed: residential	40,416	888	(37)	41,267
Equity securities	23	119	0	142
<b>Total securities</b>	<b>\$ 91,151</b>	<b>\$ 2,856</b>	<b>\$ (256)</b>	<b>\$ 93,751</b>
<b>December 31, 2012</b>				
Available for sale:				
U.S. Treasury and federal agency	\$ 1,794	\$ 8	\$ 0	\$ 1,802
State and municipal	50,946	4,241	(8)	55,179
Mortgage-backed: residential	62,903	1,755	(20)	64,638
Equity securities	23	8	0	31
<b>Total securities</b>	<b>\$ 115,666</b>	<b>\$ 6,012</b>	<b>\$ (28)</b>	<b>\$ 121,650</b>

The contractual maturity of securities available for sale at December 31, 2014 is shown below.

	<b>One year or less</b>	<b>More than one to five years</b>	<b>More than five to ten years</b>	<b>More than ten years</b>	<b>Total securities</b>	
	Amortized Cost	Amortized Cost	Amortized Cost	Amortized Cost	Amortized Cost	Fair value
	Average yield	Average yield	Average yield	Average yield	Average yield	

(Dollar amounts in thousands)

State and municipal	\$ 680	\$ 6,848	\$ 15,853	\$ 21,700	\$ 45,081	\$ 48,005
	4.10%	3.54%	3.50%	3.29%	3.41%	
Mortgage-backed: residential	0	5,757	21,291	1,916	28,964	29,802
	0%	2.99%	2.27%	2.28%	2.42%	
Total	\$ 680	\$ 12,605	\$ 37,144	\$ 23,616	\$ 74,045	\$ 77,807
	4.10%	3.29%	2.80%	3.21%	3.02%	

*Restricted Equity Securities*

As of December 31, 2014, FNB held 24,855 shares of \$100 par value Federal Home Loan Bank of Cincinnati ( FHLB ) stock, which are restricted equity securities. FHLB stock represents an equity interest in the FHLB, but it does not have a readily determinable fair value. The stock can be sold at its par value only, and only to the FHLB or to another member institution. Member institutions are required to maintain a minimum stock investment in the FHLB, based on total assets, total mortgages, and total mortgage-backed securities.

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As of December 31, 2014, FNB held 14,744 shares of Federal Reserve Bank stock, with a carrying value of \$739 thousand, which are restricted equity securities. The capital stock represents an equity interest in the Federal Reserve Bank, but does not have a readily determinable fair value. Member institutions are required to hold 6% of capital and surplus in Federal Reserve Bank stock at all times.

*Total Liabilities*

Total liabilities increased by \$47.4 million or 11.0% from 2013 to 2014. This increase is primarily a result of a \$31.8 million increase in deposits and an \$18.0 million increase in Federal Home Loan Bank advances, partially offset by a decrease of \$2.6 million in repurchase agreements.

*Deposits*

Deposits increased during 2014 by \$31.8 million or 8.2%. The increase is primarily attributed to a growth in interest-bearing demand deposits of \$2.9 million or 1.9% and noninterest-bearing demand deposits of \$14.2 million or 14.5%. Much of the increase in this category is attributed to FNB's success in marketing our Platinum Checking, Bonus Checking and Bonus Savings accounts. Savings accounts increased by \$3.3 million or 5.0% from the end of 2013 to the end of 2014. Time deposits increased by \$11.3 million or 17.9%.

Maturity of time deposits of \$250,000 or more at December 31, 2014  
(Dollar amounts in thousands)

	Amount	Percent of Total
<b>Time remaining to maturity:</b>		
Three months or less	\$ 4,240	23%
Over three through 12 months	8,436	47%
Over one year through 3 years	4,899	27%
Over 3 years	505	3%
	\$ 18,080	100%

**Liquidity and Capital Resources.** A bank's liquidity risk is the risk associated with having to satisfy current and future financial obligations in a timely manner. Both short- and long-term liquidity needs are addressed by maturities and sales of unpledged securities, loan repayments and maturities, sales of loans that are not pledged as security for FHLB borrowings, and transactions in cash and cash equivalents, such as federal funds purchased. The use of these resources, combined with access to credit, provide funds for satisfying depositor and borrower needs. Management considers FNB to have satisfactory liquidity, with the ability to satisfy the demands of customers and the local economy. Liquidity may be adversely affected by unexpected deposit outflows, which can be caused by higher interest rates paid by competitors. Management continually monitors projected liquidity needs and establishes a desirable level based in part on FNB's commitment to make loans as well as management's assessment of FNB's ability to generate funds.

The most liquid assets are cash and cash equivalents, which at year-end 2014 consisted of \$28.9 million in cash and due from banks. At year-end 2013 cash and cash equivalents consisted of \$34.3 million in cash and due from banks.

Federal funds sold are overnight investments with correspondent banks, an investment and liquidity tool used to maximize earning assets. Securities classified as available for sale that are not pledged are another source of liquidity. We consider FNB's loans-to-deposits ratio to assess liquidity. The ratio of total loans to deposits at year-end 2014 was 96.3%. At the end of 2014 the fair value of securities available for sale was approximately \$77.9 million, while the fair value of securities pledged was approximately \$57.0 million, representing securities pledged to secure public deposits and repurchase agreements.

NBOH's operating activities, as described in the Consolidated Statements of Cash Flows in the attached consolidated financial statements, include net cash provided of \$6.6 million in 2014, and \$6.7 million in 2013, generated principally from net income in those years. FNB reported \$19.7 and \$20.0 million in originations and proceeds from sales of mortgage loans held for sale as operating activities in 2014.

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NBOH's investing activities, as described in the Consolidated Statements of Cash Flows in the attached consolidated financial statements, consist primarily of loan originations and repayments, along with securities purchases, sales and maturities. In 2014, net cash used in investing activities was \$58.4 million. Proceeds from the maturities, repayments and sales of securities, offset by purchases of securities provided \$16.2 million. The increase in loans over the year utilized \$74.2 million of cash. In 2013, net cash used in investing activities was \$49.6 million. The purchase of securities, offset by maturities, repayments and sales accounted for the use of \$23.5 million. Proceeds from sale of loans in asset disposal group was \$10.5 million. Cash used to settle the sale of deposits in asset disposal group was \$14.4 million. The increase of loans in 2013 utilized \$69.6 million of cash.

NBOH's financing activities, as described in the Consolidated Statements of Cash Flows in the attached consolidated financial statements, include the solicitation and repayment of customer deposits, borrowings and repayments, treasury stock activity, and the payment of dividends. In 2014, net cash provided by financing activities was \$46.4 million. The increase in deposits over the year provided \$31.8 million of cash. At December 31, 2014, FNB had \$38.0 million of borrowings outstanding with FHLB, maturing in the years 2015 and 2016. Net cash provided by financing activities was \$49.5 million in 2013. The increase in deposits during 2013 provided \$34.7 million of cash. The proceeds of FHLB borrowings was \$15.0 million of cash during 2013.

FNB has approximately \$39.9 million available in short-term funding arrangements with its correspondent banks and the FHLB as of December 31, 2014. Additional information concerning FHLB borrowings and bank obligations under repurchase agreements is contained in Note 10 of the consolidated financial statements of NBOH. The outstanding balances and related information about short-term borrowings, which consists almost entirely of securities sold under agreements to repurchase are summarized as follows:

	Year ended December 31,		
	2014	2013	2012
	(Dollar amounts in thousands)		
Balance at year-end	\$ 16,505	\$ 19,065	\$ 18,633
Average balance outstanding	14,805	18,919	11,604
Maximum month-end balance	17,419	22,106	18,633
Weighted-average rate at year-end	0.15%	0.15%	0.15%
Average rate during the year	0.15%	0.15%	0.15%

FNB is subject to federal regulations imposing minimum capital requirements. Total risk-based capital, tier I risk-based capital, and tier I leverage capital ratios are monitored to assure compliance with regulatory capital requirements. At December 31, 2014, FNB exceeded minimum risk-based and leverage capital ratio requirements. FNB's ratio of total capital to risk-based assets was 12.65% on December 31, 2014. The minimum required ratio to be considered adequately capitalized is 8%. Additional information concerning capital ratios at year-end 2014 and 2013 is contained in Note 16 of the consolidated financial statements.

**Table of Contents***Contractual Obligations*

As discussed in the notes to NBOH's consolidated financial statements, obligations exist to make payments under contracts, including borrowings. At December 31, 2014, the aggregate contractual obligations are outlined below:

	Payment due by period (Dollar amounts in thousands)				
	Total	More than one			More than
		One year or less	to three years	More than three to five years	five years
Time deposits	\$ 74,703	\$ 43,334	\$ 17,452	\$ 13,913	\$ 4
Deposits without a stated maturity	343,629	343,629	0	0	0
Long-term obligations	38,000	32,000	6,000	0	0
Information system contract obligations	7,765	1,211	2,317	2,311	1,926
	\$ 464,097	\$ 420,174	\$ 25,769	\$ 16,224	\$ 1,930

*Off-Balance Sheet and Contingent Liabilities*

Financial instruments, such as loan commitments, credit lines, and letters of credit are issued to satisfy customers financing needs. Ordinarily having fixed expiration dates, these commitments are agreements to provide credit or to support the credit of others, as long as conditions established in the contracts are satisfied. Off-balance-sheet risk in the form of potential credit loss exists up to the face amount of these instruments, although we do not expect losses. Since these commitments are viewed as loans, the same credit policies used for loans are used to evaluate making the commitments. These funding commitments by expiration period were as follows at year-end 2014:

	Expiration of funding commitments		
	One year or less	More than one year	Total
	(Dollar amounts in thousands)		
Unused loan commitments	\$ 20,808	\$ 41,971	\$ 62,779
Commitment to make loans	14,494	0	14,494
Overdraft protection	14,443	0	14,443
Letters of credit	337	0	337
	\$ 50,082	\$ 41,971	\$ 92,053

Of the unused loan commitments, \$5,643 are fixed-rate commitments, \$71,967 are variable-rate commitments and \$14,443 are related to automatic overdraft protection for checking accounts. Rates on unused fixed-rate loan commitments range from 2.25% to 6.63%. The funding commitments shown in the table above do not necessarily represent future cash requirements since experience demonstrates that a large percentage of funding commitments expire unused or partially used.

FNB sells some of the loans it originates, particularly conventional fixed-rate residential mortgage loans. The loans are sold without recourse. FNB has retained mortgage-servicing rights on approximately \$48.5 million of residential mortgage loans sold.

*Shareholders Equity*

The \$5.9 million or 12.8% increase in shareholders equity from 2014 to 2013 was caused by an increase in retained earnings of \$5.0 million, and a \$789 thousand increase in accumulated other comprehensive income, which resulted from an increase in the fair value of securities available for sale. Accumulated other comprehensive income represents the unrealized appreciation or depreciation (net of taxes) in the fair value of securities available for sale. Interest rate volatility, economic and interest rate conditions could cause material fluctuations in accumulated other comprehensive income. The dividend payout ratio for 2014 was 15.06% versus 17.30% in 2013.



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NBOH is dependent on FNB for earnings and funds necessary to pay dividends, and the payment of dividends, by FNB to NBOH, is subject to bank regulatory restrictions. According to the National Bank Act and OCC Rule 5.64, a national bank may never pay a cash dividend without advance OCC approval if the amount of the dividend exceeds retained net income for the year and for the two preceding years (after any required transfers to surplus). FNB could, without prior approval, pay dividends to the holding company of approximately \$13.5 million as of December 31, 2014.

**Results of Operations** FNB derives substantially all of its income from banking and bank-related services, including interest earnings on residential real estate, commercial real estate, commercial and consumer loans and investment securities along with fee income from deposit services. NBOH's business consists almost exclusively of acting as holding company for FNB. FNB's business consists primarily of gathering deposits and making loans, principally in Wayne, Stark, Medina, Columbiana and Holmes counties, Ohio.

*Average Balances, Interest Rates and Yields*

The average balances of FNB's interest-earning assets and interest-bearing liabilities, interest earned on assets and interest cost of liabilities for the periods indicated, and the average yields earned and rates paid are presented in the following table. Yields are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods presented. Average balances are daily averages.

	Year ended December 31,								
	2014			2013			2012		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
(Dollars amounts in thousands)									
<b>Assets</b>									
Interest earning assets:									
Securities:									
Taxable	\$ 37,932	\$ 984	2.67%	\$ 52,866	\$ 1,358	2.63%	\$ 84,623	\$ 2,139	2.59%
Nontaxable <sup>(1)</sup>	49,819	2,438	5.15%	53,551	2,594	5.11%	57,003	2,732	5.17%
Interest bearing deposits	29,587	73	0.25%	36,871	91	0.25%	30,476	66	0.22%
Net loans (including nonaccrual loans)	360,870	15,974	4.43%	291,579	13,447	4.61%	238,601	11,981	5.02%
Total interest-earning assets	478,208	19,469	4.07%	434,867	17,490	4.02%	410,703	16,918	4.12%
All other assets	30,401			31,249			25,109		
Total assets	\$ 508,609			\$ 466,116			\$ 435,812		

**Liabilities and**

Shareholders									
Equity									
Interest-bearing liabilities:									
Deposits:									
Interest-bearing checking	\$ 158,797	577	0.36%	\$ 157,613	609	0.39%	\$ 164,537	701	0.43%
Savings	70,031	90	0.13%	64,068	85	0.13%	57,766	84	0.15%
Time, \$100,000 and over	28,549	250	0.88%	19,527	175	0.90%	17,518	173	0.99%
Time, other	41,116	367	0.89%	41,971	497	1.18%	44,137	572	1.30%
Federal Home Loan Bank advances	31,834	194	0.61%	11,375	172	1.51%	7,221	188	2.60%
Other funds purchased	14,805	22	0.15%	18,919	58	0.31%	11,621	44	0.38%
Total interest-bearing liabilities	345,132	1,500	0.43%	313,473	1,596	0.51%	302,800	1,762	0.58%
Demand deposits	109,241			102,022			84,387		
Other liabilities	4,711			4,750			4,643		
Shareholders equity	49,525			45,871			43,982		
Total liabilities and shareholders equity	\$ 508,609			\$ 466,116			\$ 435,812		
Net interest income <sup>(1)</sup>	\$ 17,969			\$ 15,894			\$ 15,156		
Interest rate spread <sup>(2)</sup>			3.64%			3.51%			3.54%
Net yield on interest-earning assets <sup>(3)</sup>			3.76%			3.65%			3.69%
Ratio of interest-earning assets to average interest-bearing liabilities			138.56%			138.73%			135.64%

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- (1) Tax-equivalent basis
- (2) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
- (3) Net yield on interest-earning assets represents net interest income as a percentage of average interest-earning assets.

*Rate/Volume Analysis*

Changes in interest income and interest expense attributable to (1) changes in volume (changes in average volume multiplied by prior year rate), and (2) changes in rates (changes in rate multiplied by prior year average volume) are shown in the table to follow. Increases and decreases have been allocated proportionally to the change due to volume and the change due to rate.

(Dollar amounts in thousands)	2014 over 2013			2013 over 2012		
	Volume	Rate	Net change	Volume	Rate	Net change
<b>Interest income</b>						
Securities:						
Taxable	\$ (425)	\$ 51	\$ (374)	\$ (870)	\$ 89	\$ (781)
Nontaxable	(178)	22	(156)	(108)	(30)	(138)
(tax-equivalent basis)						
Interest bearing deposits	(18)	0	(18)	16	9	25
Loans (including nonaccrual loans)	3,067	(540)	2,527	2,443	(977)	1,466
<b>Total interest income</b>						
(tax-equivalent basis)	\$ 2,446	\$ (467)	\$ 1,979	\$ 1,481	\$ (909)	\$ 572
<b>Interest expense</b>						
Deposits						
Interest bearing checking	\$ 4	\$ (36)	\$ (32)	\$ (27)	\$ (65)	\$ (92)
Savings	8	(3)	5	8	(7)	1
Time, \$100,000 and over	79	(4)	75	18	(16)	2
Time, other	(8)	(122)	(130)	(26)	(49)	(75)
Federal Home Loan Bank Advances	125	(103)	22	63	(79)	(16)
Other funds purchased	(6)	(30)	(36)	22	(8)	14
<b>Total interest expense</b>	\$ 202	\$ (298)	\$ (96)	\$ 58	\$ (224)	\$ (166)
<b>Change in net interest income</b>						
(tax-equivalent basis)*	\$ 2,100	\$ (25)	\$ 2,075	\$ 1,212	\$ (474)	\$ 738

\* Tax equivalence based on highest statutory tax rates of 34%.  
2014 versus 2013

During 2014, net income increased \$1.8 million or 43.5% to \$5.9 million. Accordingly, basic earnings per share increased from \$1.85 per share in 2013 to \$2.65 per share in 2013. Diluted earnings per share increased from \$1.85 per share in 2013 to \$2.62 per share in 2014. Earnings for 2014 were positively impacted by an increase in net interest

income, a decrease in the provision for loan losses and a decrease in noninterest expense. Returns on average equity and average assets for the year ending December 31, 2014, were 11.92% and 1.16%, respectively, compared to 8.97% and 0.88% for the year ending December 31, 2013, respectively.

Interest and fees on loans increased \$2.5 million or 18.8%, due to an increase in the average balance of loans in 2014. Securities interest and dividend income decreased \$477 thousand or 15.5% compared to 2013. Much of this decrease is attributable to decrease in the average balance of securities.

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Interest expense decreased \$96 thousand or 6.0% during 2014, as FNB's deposits and short-term borrowings were affected by the low interest rate environment. The cost of interest-bearing liabilities fell from 0.51% in 2013 to 0.43% in 2014. Interest expense on deposits decreased \$82 thousand or 6.0% in 2014.

The provision for loan losses was \$299 thousand in 2014, compared to \$602 thousand in 2013. The allowance for loan losses and the related provision for loan losses is based on management's judgment and evaluation of the loan portfolio. Net charge-offs were \$108 thousand for 2014, compared to \$23 thousand for 2013. The allowance as a percentage of loans decreased from 1.18% at December 31, 2013, to 1.01% at December 31, 2014. Classified loans have increased from \$5.2 million as of December 31, 2013 to \$6.0 million as of December 31, 2014. Total nonperforming loans increased from \$462 thousand as of December 31, 2013 to \$1.1 million as of December 31, 2014. Management believes the current allowance for loan losses is adequate, however changing economic and other conditions may require future adjustments to the allowance for loan losses.

Noninterest income remained flat at \$2.9 million in 2014, as compared to 2013. Mortgage banking income for 2014 was \$672 thousand, compared to \$755 thousand in 2013. In 2014, proceeds from sales of mortgage loans was \$20.0 million, compared to \$22.6 million in 2013. The sale of certain assets and assumption of certain liabilities related to FNB's retail location in Fairlawn, Ohio was finalized in June 2013. Loans with a carrying value of \$10.5 million were sold and deposits with a carrying value of \$15.2 million were assumed by the purchasing bank. A loss on aggregate asset disposal group related to the sale was \$264 thousand and included in noninterest income in 2013. Gains on sales of securities of \$128 thousand and \$252 thousand were recorded in 2014 and 2013.

Noninterest expense was \$11.6 million for the year ended December 31, 2014, compared to \$12.0 million for 2013, a decrease of 2.8%. The change was due primarily to a decrease of \$336 thousand in data processing expense, primarily related to a new core operating system adopted in 2013, a decrease of \$147 thousand in net occupancy expense due to the aforementioned sale of FNB's retail location in Fairlawn, Ohio, partially offset by a \$243 thousand increase in salaries and employee benefits expense.

Income tax expense was \$2.2 million for the year ended December 31, 2014, representing an increase of \$1.0 million compared to 2013. The change is primarily related to an increase in income before income taxes and a lower concentration of tax exempt income in 2014 compared to 2013.

*2013 versus 2012*

During 2013, net income increased \$1.3 million or 46.4% to \$4.1 million. Accordingly, basic and diluted earnings per share increased from \$1.27 per share in 2012 to \$1.85 per share in 2013. Earnings for 2013 were positively impacted by an increase in net interest income, a decrease in the provision for loan losses and a decrease in noninterest expense, partially offset by an increase in income tax expense. Returns on average equity and average assets for the year ending December 31, 2013, were 8.97% and 0.88%, respectively, compared to 6.39% and 0.65% for the year ending December 31, 2012.

Interest and fees on loans increased \$1.5 million or 12.2%, due to an increase in the average balance of loans in 2013, offset by a decrease in the yield on loans. Securities interest and dividend income decreased \$872 thousand or 22.1% over 2012. Much of this decrease is attributable to decrease in the average balance of securities.

Interest expense decreased \$166 thousand or 9.4% during 2013, as FNB's deposits and short-term borrowings were affected by the low interest rate environment. The cost of interest-bearing liabilities fell from 0.58% in 2012 to 0.51% in 2013. Interest expense on deposits decreased \$164 thousand or 10.7% in 2013.

The provision for loan losses was \$602 thousand in 2013, compared to \$1.4 million in 2012. The allowance for loan losses and the related provision for loan losses is based on management's judgment and evaluation of the

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loan portfolio. The provision for loan losses was higher in 2012 due to changes in the collateral valuations for two commercial real estate loan relationships. Net charge-offs were \$23 thousand for 2013, compared to \$1.1 million for 2012. The charge-offs in 2012 relate primarily to declines in the collateral valuations based on information obtained in 2012 for two commercial real estate loan relationships necessitating charge-offs. The properties, which were collateral for these two relationships, were subsequently transferred into other real estate owned after FNB assumed ownership. The allowance as a percentage of loans decreased from 1.26% at December 31, 2012, to 1.18% at December 31, 2013. Classified loans have decreased from \$8.7 million as of December 31, 2012, to \$5.2 million as of December 31, 2013. Total nonperforming loans have decreased from \$1.2 million as of December 31, 2012, to \$462 thousand as of December 31, 2013.

Noninterest income of \$2.9 million was essentially unchanged compared to \$2.9 million in 2012. Mortgage banking income for 2013 was \$755 thousand, compared to \$560 thousand in 2012. In 2013, proceeds from sales of mortgage loans was \$22.6 million, compared to \$17.6 million in 2012. The sale of certain assets and assumption of certain liabilities related to FNB's retail location in Fairlawn, Ohio was finalized in June 2013. Loans with a carrying value of \$10.5 million were sold and deposits with a carrying value of \$15.2 million were assumed by the purchasing bank. A loss on aggregate asset disposal group related to the sale was \$264 thousand and included in noninterest income. Gains on sales of securities of \$252 thousand was recorded in 2013.

Noninterest expense was \$12.0 million for the year ended December 31, 2013, compared to \$12.4 million for 2012, a decrease of 3.3%. The change was due primarily to a decrease of \$183 thousand in net occupancy expense, primarily related to the aforementioned sale of FNB's retail location in Fairlawn, Ohio and a \$163 thousand decrease in salaries and employee benefits expense.

Income tax expense was \$1.2 million for the year ended December 31, 2013, representing an increase of \$666 thousand compared to 2012. The change is primarily related to an increase in income before income taxes and a lower concentration of tax exempt income in 2013 compared to 2012.

**Critical Accounting Policies.**

NBOH's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and follow general practices within the industry in which it operates. Application of these principles requires management to make estimates, assumptions, and judgments based on information available as of the date of the consolidated financial statements, affecting the amounts reported in the financial statements and accompanying notes. Certain policies necessarily require greater reliance on the use of estimates, assumptions, and judgments. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the consolidated financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third-party information is not available, valuation adjustments are estimated in good faith by management, including the use of internal cash-flow modeling techniques. NBOH's most significant accounting policies are presented in Note 1 of the consolidated financial statements. Management considers the allowance for loan losses, valuation of securities and goodwill and other intangible assets to be the most subjective and the most susceptible to change as circumstances and economic conditions change.

*Allowance for Loan Losses*

An allowance for loan losses recorded under generally accepted accounting principles is a valuation allowance for probable incurred credit losses, based on current information and events, increased by the provision for loan losses and decreased by charge-offs less recoveries. The amount of the allowance is a product



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of management's judgment and it is inevitably imprecise. Estimating the allowance requires significant judgment and the use of estimates related to many factors, including the amount and timing of future cash flows on problem loans, estimated losses on pools of loans based on historical loss experience, and consideration of current economic trends and conditions, all of which are susceptible to significant change. Although management believes that the allowance for loan losses was adequate at December 31, 2014, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making the initial determinations. A downturn in the local economy and employment could result in increased levels of non-performing assets and charge-offs, increased loan loss provisions, and reductions in income. Additionally, as an integral part of the examination process, bank regulatory agencies periodically review a bank's loan loss allowance. The OCC could require the recognition of additions to the loan loss allowance based on the OCC's judgment of information available to it at the time of its examination of FNB.

*Valuation of Securities*

The portfolio of available for sale securities is reported at fair value. The fair value of a security is determined based on quoted market prices. If quoted market prices are not available, fair value is determined based on quoted prices of similar instruments. Available for sale securities are reviewed quarterly for possible other than temporary impairment. The review includes an analysis of the facts and circumstances of each individual investment, such as the length of time the fair value has been below cost, the expectation for that security's performance, the credit worthiness of the issuer, and FNB's ability to hold the security to maturity. A decline in value that is considered to be other than temporary and related to a deterioration of the credit worthiness of the issuer would be recorded as a loss within noninterest income in the consolidated statements of income.

*Goodwill*

Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

NBOH performed a goodwill impairment analysis as of September 30, 2014. The fair value of the single reporting unit was determined to be greater than the carrying value. The fair value was determined by using estimated sales price multiples based on recent observable market transactions.

*New Accounting Pronouncements*

See Note 1 of the consolidated financial statements for details on new accounting pronouncements.

*Interest Rate Sensitivity*

Asset-liability management is the active management of a bank's balance sheet to maintain a mix of loans and deposits consistent with its goals for long-term growth and risk management. Banks, in the normal course of business, assume financial risk by making loans at interest rates that differ from rates paid on deposits. Deposits often have shorter maturities than loans and adjust to current market rates faster than loans. The result is a balance sheet mismatch between assets (loans) and liabilities (deposits).

The function of asset-liability management is to measure and control three levels of financial risk: interest rate risk (the pricing difference between loans and deposits), credit risk (the probability of default), and liquidity risk (occurring when loans and deposits have different maturities).

A primary objective in asset-liability management is managing net interest margin, that is, the net difference between interest earning assets (loans) and interest paying liabilities (deposits) to produce consistent growth in

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the loan portfolio and shareholder earnings, regardless of short-term movement in interest rates. The dollar difference between assets (loans) maturing or repricing and liabilities (deposits) is known as the rate sensitivity gap (or maturity gap). Banks attempt to manage this asset-liability gap by pricing some of their loans at variable interest rates.

A more precise measure of interest rate risk is duration, which measures the impact of changes in interest rates on the expected maturities of both assets and liabilities. In essence, duration takes the gap report data and converts that information into present-value worth of deposits and loans, which is more meaningful in estimating maturities and the probability that either assets or liabilities will reprice during the period under review.

Interest rate risk is the result of such risks as repricing risk, option risk and basis risk. Repricing risk is caused by the differences in the maturity, or repricing, of assets and liabilities. Most residential mortgage and consumer loans give consumers the right to prepay with little or no prepayment penalty, and because of competitive pressures, it may not be advisable to enforce prepayment penalties on commercial loans. Fixed-rate conventional mortgage loans are originated with loan documentation that permits such loans to be sold in the secondary market. FNB's policy is to classify these loans as Held for Sale or Held in Portfolio at the time the loans are originated based on such factors as FNB's liquidity position, interest rate environment and general economic conditions.

Option risk is the risk that a change in prevailing interest rates will lead to an adverse impact on earnings or capital caused by changes in the timing of cash flows from investments, loans and deposits. Cash flows may be received earlier than expected as a result of the exercise of the option to prepay or withdraw early embedded in the financial contracts. The option a borrower has to prepay a loan is similar to the option a depositor has to make an early withdrawal from a deposit account. This form of embedded option gives the customer the opportunity to benefit when interest rates change in their favor and ordinarily occurs at FNB's expense in the form of higher interest expense or lower interest income. Residential mortgage loans tend to have higher option risk because of the borrower's option to prepay the loan, primarily through refinancing when rates decline, and higher interest rate risk because of the longer term associated with residential mortgage loans. Option risk in the form of prepayments also affects the value of mortgage-backed securities.

Basis risk is the risk that changes in interest rates will cause interest-bearing deposit liabilities to reprice at a different rate than interest-bearing assets, creating an asset-liability mismatch. If for example, a bank lends at a rate which changes as the prime rate changes and finances the loan with deposits not tied to the prime rate as an index; it faces basis risk due to the possibility that the prime rate-deposit rate spread might change.

### *Economic Value of Equi*