

FARMERS NATIONAL BANC CORP /OH/  
Form DEF 14A  
March 21, 2016

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

**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

# **FARMERS NATIONAL BANC CORP.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**20 SOUTH BROAD STREET**

**CANFIELD, OHIO 44406**

March 17, 2016

To Our Shareholders:

You are cordially invited to attend the 2016 Annual Meeting of Shareholders of Farmers National Banc Corp. ( Farmers or the Company ) to be held April 21, 2016, at 3:30 p.m., Eastern Time, at the St. Michael Family Life Center, 300 North Broad Street, Canfield, Ohio 44406.

At the Annual Meeting, you will be asked to: (i) elect three Class III directors whose terms will expire at the Annual Meeting in 2019; (ii) consider an advisory vote on executive compensation; and (iii) ratify the Audit Committee s appointment of Crowe Horwath LLP as Farmers independent registered public accounting firm for the fiscal year ending December 31, 2016.

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

Sincerely,

KEVIN J. HELMICK

*President and Chief Executive Officer*

## FARMERS NATIONAL BANC CORP.

20 SOUTH BROAD STREET

CANFIELD, OHIO 44406

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held Thursday, April 21, 2016

The Annual Meeting of Shareholders of Farmers National Banc Corp. ( Farmers or the Company ) will be held at the St. Michael Family Life Center, 300 North Broad Street, Canfield, Ohio 44406, on Thursday, April 21, 2016, at 3:30 p.m., Eastern Time, for the following purposes:

1. the election of three Class III directors;
2. to approve, on an advisory basis, the compensation of the Company s named executive officers;
3. to ratify the appointment of Crowe Horwath LLP as Farmers independent registered public accounting firm for the fiscal year ending December 31, 2016; and
4. to transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on March 7, 2016 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. Your Board of Directors recommends that you vote **FOR** the election of each of the director nominees and **FOR** each of the other proposals.

By Order of the Board of Directors,

Carl D. Culp

Executive Vice President, Treasurer and Secretary

Canfield, Ohio

March 17, 2016

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## FARMERS NATIONAL BANC CORP.

### *PROXY STATEMENT*

March 17, 2016

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Farmers National Banc Corp., an Ohio corporation ( Farmers or the Company ), of the accompanying proxy to be voted at the 2016 Annual Meeting of Shareholders (the Annual Meeting ) to be held Thursday, April 21, 2016, at 3:30 p.m., Eastern Time, and at any adjournment or postponement thereof. The mailing address of the principal executive offices of Farmers is 20 South Broad Street, Canfield, Ohio 44406; telephone number (330) 533-3341. This proxy statement, together with the related proxy and Farmers 2015 Annual Report to Shareholders (the Annual Report ), are being mailed to the shareholders of the Company on or about March 17, 2016.

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

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

The Annual Meeting will be held Thursday, April 21, 2016, at 3:30 p.m., Eastern Time, at the St. Michael Family Life Center, 300 North Broad Street, Canfield, Ohio 44406. To obtain directions to attend the Annual Meeting, please contact Shareholder Relations at (330) 533-5127.

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

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

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

The Board of Directors has set March 7, 2016 as the record date for the Annual Meeting. This means that only shareholders of record at the close of business on that date are entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) thereof. At the close of business on March 7, 2016, 26,930,484 Common Shares, without par value ( Common Shares ) were issued and outstanding. Each common share entitles the holder to one vote on each item to be voted upon at the Annual Meeting and there is no cumulative voting.

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

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

### How do I Vote?

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

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

By submitting your vote telephonically;

By submitting your vote electronically via the Internet; or

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

For the Annual Meeting, Farmers is offering shareholders of record the opportunity to vote their Common Shares electronically through the Internet or by telephone. Instead of submitting the enclosed proxy by mail, shareholders of record may vote by telephone or via the Internet by following the procedures described on the enclosed proxy. In order to vote via telephone or the Internet, please have the enclosed proxy in hand, and call the number or go to the website listed on the proxy and follow the instructions. The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions, and to confirm that shareholders' instructions have been recorded properly. Shareholders voting through the Internet should understand that they may bear certain costs associated with Internet access, such as usage charges from their Internet service providers. The deadline for voting through the Internet or by telephone is 3:30 a.m., Eastern Time, on April 21, 2016.

If you hold your Common Shares in street name, you should follow the voting instructions provided to you by the organization that holds your Common Shares. If you plan to attend the Annual Meeting and vote in person, ballots will be available. If your Common Shares are held in the name of your broker, bank or other shareholder of record, you must bring a legal proxy from the shareholder of record indicating that you were the beneficial owner of the shares on March 7, 2016 in order to vote in person.

### How will My Shares be Voted?

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

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

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

**FOR** the ratification of the appointment of Crowe Horwath LLP as Farmers' independent registered public accounting firm for the year ending December 31, 2016 under **Proposal Three Ratification of Selection of Independent Registered Public Accounting Firm.**

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

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

### May I Revoke or Change My Vote?

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

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



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

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

notifying the Secretary in person at the Annual Meeting.

If your Common Shares are held in street name and you wish to revoke your proxy, you should follow the instructions provided to you by the record holder of your shares. If you wish to revoke your proxy in person at the Annual Meeting, you must bring a legal proxy from the shareholder of record indicating that you were the beneficial owner of the Common Shares on March 7, 2016. Attending the Annual Meeting will not, by itself, revoke your proxy.

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

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

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

The shareholders present in person or by proxy at the Annual Meeting representing not less than one-third of Farmers' outstanding Common Shares shall constitute a quorum for the Annual Meeting. Consequently, at least 8,976,828 Common Shares must be represented at the Annual Meeting in person or by proxy in order to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. Street name holders generally cannot vote their Common Shares directly and must instead instruct the broker, bank or other shareholder of record how to vote their Common Shares using the voting instructions provided by it. If a street name holder does not provide timely instructions, the broker or other nominee may have the authority to vote on some proposals but not others. If a broker or other nominee votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner, this results in a broker non-vote. Broker non-votes on a matter are counted as present for purposes of establishing a quorum for the meeting, but are not considered entitled to vote on that particular matter.

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

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

<b>Proposal</b>	<b>Vote Required</b>
<b>Proposal One Election of Directors</b>	Election of the three Class III director nominees requires the affirmative vote of the holders of a plurality of the Common Shares present, represented and entitled to vote at the Annual Meeting. Broker non-votes and proxies marked <b>WITHHOLD AUTHORITY</b> will not be counted toward the election of directors or toward the election of individual nominees and, thus, will have no effect other than that they will be counted for establishing a quorum.
<b>Proposal Two Advisory Vote on Executive Compensation</b>	The proposal to approve the resolution regarding the compensation of Farmers' named executive officers requires the affirmative vote of the holders of a majority of the Common Shares present, represented and entitled to vote at the Annual Meeting. Shareholders may vote <b>FOR, AGAINST</b> or <b>ABSTAIN</b> from voting on Proposal Two. Broker non-votes will not be counted for the purpose of determining whether Proposal Two has been approved. Abstentions will be counted as present and entitled to vote for purposes of Proposal Two and, thus, will have the same effect as a vote against Proposal Two. As this is an advisory vote, the outcome of the vote is not binding on the Compensation Committee or the Board of Directors with respect to future executive compensation decisions, including those relating to the Company's named executive officers or otherwise. However, the Compensation Committee and the Board of Directors expect to take into account the outcome of the vote when considering future executive compensation decisions.
<b>Proposal Three Ratification of Selection of Independent Registered Public Accounting Firm</b>	The proposal to ratify the appointment of Farmers' independent registered public accounting firm requires the affirmative vote of the holders of a majority of the Common Shares present, represented and entitled to vote at the Annual Meeting. Shareholders may vote <b>FOR, AGAINST</b> or <b>ABSTAIN</b> from voting on Proposal Three. Abstentions will be counted as present and entitled to vote for purposes of Proposal Three and, thus, will have the same effect as a vote against Proposal Three.

Under Ohio law, Farmers' Articles of Incorporation, and Farmers' Amended Code of Regulations (the "Regulations"), the nominees for election as directors who receive the greatest number of votes cast will be elected directors. Each shareholder will be entitled to cast one vote for each common share owned, and

shareholders may not cumulate votes in the election of directors. Common shares as to which the authority to vote is withheld are not counted toward the election of directors. However, the Board of Directors has adopted a Majority Vote Withheld Policy in the event that Withhold Authority has been indicated by a majority of the votes cast with respect to any director in an uncontested election. A summary of this policy is set forth under the caption **CORPORATE GOVERNANCE Policies of the Board of Directors** beginning on page 9 of this proxy statement.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
SHAREHOLDER MEETING TO BE HELD ON APRIL 21, 2016**

This proxy statement, the Form 10-K for the year ended December 31, 2015 and the 2015 Annual Report to Shareholders are available at [www.farmersbankgroup.com](http://www.farmersbankgroup.com).

**CORPORATE GOVERNANCE**

**The Board of Directors Independence**

The Board of Directors is currently comprised of 11 members, three of whom are nominees for re-election at the Annual Meeting. Additional information regarding each director nominee is set forth in **Proposal One Election of Directors** beginning on page 13 of this proxy statement. In 2015, the Board of Directors affirmatively determined that each of the directors listed below is an independent director under the rules of The NASDAQ Stock Market LLC ( NASDAQ ):

Gregory C. Bestic  
Anne Frederick Crawford  
Terry A. Moore  
Earl R. Scott  
Gregg Strollo

Lance J. Cirolì  
Ralph D. Macali  
David Z. Paull  
James R. Smail  
Howard J. Wenger

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

During 2015, certain current directors and executive officers of Farmers, and their associates, were customers of, and had banking transactions with, various subsidiaries of the Company, including Farmers' subsidiary bank, The Farmers National Bank of Canfield ( Farmers Bank ). All relationships between any director or executive officer and Farmers or any of its subsidiaries were conducted in the ordinary course of business. Farmers encourages its directors and executive officers to maintain these relationships and expects that these transactions will continue in the future. All loans and loan commitments included in such transactions were made and will be made: (i) in the ordinary course of business; (ii) on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to Farmers; and (iii) without more than the normal risk of collectability or present other unfavorable features. After reviewing the details of these relationships, the Board of Directors has determined that such relationships do not interfere with the exercise of any director's independent judgment in carrying out his or her responsibilities.

In assessing the independence of directors, the Board of Directors also considers the business relationships between Farmers and its directors or their affiliated businesses other than ordinary banking relationships. Where business relationships other than ordinary banking relationships exist, the Board of Directors evaluates the scope and nature of each business relationship. The business relationships between Farmers and its directors or the directors' affiliated companies that were so considered by the Board of Directors was the position of Terry A. Moore as a partner, Chief Executive Officer and President of the law firm of Krugliak Wilkins Griffiths & Dougherty ( KWGD ), which last performed certain legal services for Farmers and Farmers Bank during 2014,

prior to Mr. Moore's election as a director. In reviewing the independence of Mr. Moore as a director, the Board of Directors considered the relationship between Farmers and KWGD and determined that such firm received fees for the performance of legal services in 2014 far less than objective regulatory independence thresholds, and that the prior relationship of KWGD to the Company did not affect Mr. Moore's exercise of independent judgment in carrying out his duties as a director, including his duties as a compensation committee member and his ability to make independent judgments about the Company's executive compensation. Therefore, the Board considers Mr. Moore to be independent, although he is not yet considered eligible to serve on the Audit Committee.

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

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

#### **Attendance at Meetings**

The Board of Directors held 15 meetings during 2015. All incumbent directors attended at least 75% of the total of all meetings of the Board of Directors and any committees thereof on which such director served during the year. In accordance with Farmers' Corporate Governance Guidelines (the Corporate Governance Guidelines), directors are expected to attend all meetings of the Board of Directors, although it is understood that, on occasion, a director may not be able to attend a meeting. Directors are encouraged to attend the Annual Meeting. All of the then current members of the Board of Directors other than Gregory C. Bestic attended the 2015 Annual Meeting held on April 16, 2015.

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

The Board of Directors has appointed Lance J. Cirolini as its non-executive Chairman. As Chairman, Mr. Cirolini presides over meetings of the Board of Directors, consults and advises the Board and its committees on the business and affairs of Farmers, and performs other responsibilities as may be assigned by the Board from time to time. During 2015, in connection with the completion of our acquisition of National Bancshares Corporation (National Bancshares), the Board of Directors added the position of Vice-Chair and appointed James R. Smail to that position. As Vice-Chair, Mr. Smail would preside over meetings of the Board of Directors in the absence of Mr. Cirolini, and also consult and advise the Board and its committees on the business and affairs of Farmers, and perform other responsibilities as may be assigned by the Board from time to time. Kevin J. Helmick, as President and Chief Executive Officer, is responsible both for overseeing Farmers' day-to-day operations and for establishing and leading the execution of the Company's long-term strategic objectives, subject to the overall direction and supervision of the Board of Directors and its committees. Farmers does not have a formal policy with respect to separation of the offices of Chairman of the Board and Chief Executive Officer, as the Board of Directors believes that flexibility in appointing the Chairman of the Board allows the Board of Directors to make a determination as to such position from time to time and in a manner that it believes is in the best interest of Farmers and its shareholders. The Board of Directors believes that the current structure

best serves Farmers because it allows Mr. Helmick to focus on managing the Company's day-to-day business while allowing Mr. Cirolini to lead the Board of Directors in its primary role of review and oversight of management. The Board of Directors also believes that its leadership structure has created an environment of open, efficient communication between the Board and management, enabling the Board to maintain an active, informed role in risk management by being able to monitor and manage those matters that may present significant risks to Farmers.

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

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

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

#### *Audit Committee*

The Audit Committee assists the Board of Directors in fulfilling its responsibility to oversee the accounting and financial reporting process of the Company. The Audit Committee also reviews, evaluates and approves all related party transactions. The Audit Committee members currently are Earl R. Scott (Chairman), Gregory C. Bestic, Ralph D. Macali and Gregg Strollo. The Board of Directors has determined that Earl R. Scott qualifies as an audit committee financial expert. Specifically, the Board of Directors has determined that Earl R. Scott has all of the attributes listed in the definition of an audit committee financial expert set forth in the Instruction to Item 407(d)(5)(i) of Regulation S-K and in the NASDAQ listing requirements. Mr. Scott has acquired these attributes through education and experience as a certified public accountant. All of the Audit Committee members are considered independent for purposes of NASDAQ listing requirements. The Audit Committee operates under a written charter, which is reviewed annually by the Audit Committee and the Board of Directors to reflect current Commission and NASDAQ rules, requirements and best corporate practices. A copy of the current Audit Committee Charter is available on Farmers' website at [www.farmersbankgroup.com](http://www.farmersbankgroup.com). The Audit Committee held four meetings during 2015.

#### *Compensation Committee*

The Compensation Committee establishes policies and levels of reasonable compensation for the executive officers of the Company and generally administers the Company's incentive compensation programs. The

members of the Compensation Committee are David Z. Paull (Chair), Anne Frederick Crawford, Terry A. Moore, and Howard J. Wenger. All members of the Compensation Committee are considered independent for purposes of NASDAQ listing requirements. The Compensation Committee operates under a written charter, which is reviewed annually by the Compensation Committee and the Board of Directors to reflect current Commission and NASDAQ rules, requirements and best corporate practices. A copy of the current Compensation Committee Charter is available on Farmers' website at [www.farmersbankgroup.com](http://www.farmersbankgroup.com). The Compensation Committee held seven meetings during 2015.

Pursuant to the terms of its charter, the Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Compensation Committee. In addition, the Compensation Committee may invite such members of management to its meetings, as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions. In addition, the Compensation Committee may delegate to the Chief Executive Officer, or another executive designee, the authority to approve salary and other compensation for employees below the executive officer level in accordance with overall pools, policy guidelines and limits approved by the Committee. Pursuant to its charter, the Compensation Committee has the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. Additional information regarding the Compensation Committee's role is set forth in the **COMPENSATION DISCUSSION AND ANALYSIS** section of this proxy statement, beginning on page 21.

#### *Corporate Governance and Nominating Committee*

The Corporate Governance and Nominating Committee's purpose is to: (i) identify and recommend individuals to the Board of Directors for nomination as members of the Board and its committees; (ii) promote effective corporate governance, including developing and recommending to the Board of Directors a set of corporate governance principles applicable to the Company; and (iii) lead the Board of Directors in its annual review of the Board's performance and the performance of each of its committees. The Corporate Governance and Nominating Committee consists of Gregory C. Bestic (Chair), Anne Frederick Crawford, Ralph D. Macali, Terry A. Moore, and Howard J. Wenger. All members of the Corporate Governance and Nominating Committee are independent for purposes of NASDAQ listing requirements. The Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee and the Corporate Governance Guidelines, both of which are reviewed annually by the Corporate Governance and Nominating Committee and the Board of Directors to reflect current Commission and NASDAQ rules, requirements and best corporate practices. Copies of the Corporate Governance and Nominating Committee Charter and the Corporate Governance Guidelines are available on Farmers' website at [www.farmersbankgroup.com](http://www.farmersbankgroup.com). The Corporate Governance and Nominating Committee held seven meetings during 2015.

#### *Board Enterprise Risk Management Committee*

The Board Enterprise Risk Management Committee oversees management's implementation and enforcement of the Company's policies, procedures and practices relating to the management of enterprise-wide risk. The members of the Board Enterprise Risk Management Committee are Lance J. Cirolini (Chair), David Z. Paull, Earl R. Scott, James R. Smail and Gregg Strollo. The Board Enterprise Risk Management Committee operates under a written charter, which is reviewed annually by the Committee and the Board of Directors. A copy of the current Board Enterprise Risk Management Committee Charter is available on Farmers' website at [www.farmersbankgroup.com](http://www.farmersbankgroup.com). The Board Enterprise Risk Management Committee meets on a regular basis with Mr. Helmick and other executive officers of Farmers. The Board Enterprise Risk Management Committee held four meetings during 2015. Additional information regarding the Board Enterprise Risk Management Committee's role is set forth in the **COMPENSATION DISCUSSION AND ANALYSIS** section of this proxy statement, beginning on page 21.

### *Executive Committee*

During 2015, in connection with the completion of our acquisition of National Bancshares, the Board of Directors created an Executive Committee, comprised of James R. Smail (Chair), Lance J. Ciroli, Kevin J. Helmick, and Terry A. Moore. The Executive Committee operates under a written charter, which is reviewed annually by the Committee and the Board of Directors. A copy of the current Executive Committee Charter is available on Farmers' website at [www.farmersbankgroup.com](http://www.farmersbankgroup.com). The Executive Committee is authorized to act on behalf of the Board of Directors on all corporate actions for which applicable law does not require participation by the full Board. All actions taken by the Executive Committee must be reported at the next meeting of the Board of Directors. The Executive Committee held one meeting in 2015, although it is contemplated under the Executive Committee's charter that it will meet regularly, at least four times annually, on a going forward basis.

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

#### *Majority Withheld Vote*

The Board of Directors recognizes that, pursuant to Section 1701.55(B) of the Ohio Revised Code, director nominees who receive the greatest number of shareholder votes are automatically elected to the Board of Directors, regardless of whether the votes in favor of such nominees constitute a majority of the voting power of Farmers, because our Articles of Incorporation do not include alternative election standards. Nevertheless, the Board of Directors has adopted a policy that, in an uncontested election, any director nominee who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withheld Vote), should promptly tender his or her resignation to the Chairman of the Board of Directors. Thereafter, the Corporate Governance and Nominating Committee will consider the tendered resignation and recommend to the Board of Directors whether to accept or reject it. In considering whether to recommend to the Board of Directors to accept or reject the tendered resignation, the Corporate Governance and Nominating Committee will consider all information and factors deemed relevant, including, without limitation: (i) the reasons (if any) given by shareholders as to why they withheld their votes, and (ii) the qualifications and performance of the tendering director(s) and his or her contributions to the Board of Directors and Farmers. The Board of Directors will act on any tendered resignation within 90 days following certification of the shareholder vote. Following the Board of Directors determination, Farmers will promptly disclose the Board's decision whether to accept or reject the director's resignation offer (and, if applicable, the reasons for rejecting the resignation offer) in a press release and in a Current Report on Form 8-K. Any director who tenders his or her resignation pursuant to this provision shall not participate in the Corporate Governance and Nominating Committee's consideration or action by the Board of Directors regarding whether to accept the resignation offer. If a majority of the Board of Directors receives a Majority Withheld Vote at the same election, then the independent directors who did not receive a Majority Withheld Vote will consider the resignation offers and whether to accept or reject them.

### **Director Nominations**

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

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

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

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

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

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

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

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

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

Under the Regulations, a shareholder entitled to vote for the election of directors who intends to nominate a director for election must deliver written notice to the Secretary of Farmers no later than 90 days and no earlier than 120 days in advance of such meeting; provided, however, that if less than 90 days' notice or prior disclosure of the date of the meeting is given or made to shareholders, written notice to the Secretary of the Company must be delivered or mailed not later than the close of business on the seventh day following the date on which notice of such meeting is first given or made to shareholders. The Board of Directors has adopted a policy that annual meetings of shareholders will be held on the third Thursday of April of each year unless and until publicly announces otherwise, consistent with our general past practice and the Regulations. Accordingly, for purposes of our 2017 annual meeting of shareholders, a nomination of a director for election must be received by Farmers Secretary no earlier than December 21, 2016 and not later than January 20, 2017.

The Corporate Governance Guidelines also formalize certain aspects of Farmers' shareholder nomination process. Pursuant to the Regulations and/or the Corporate Governance Guidelines, each shareholder notice must include the following information regarding a director candidate:

1. the name, age, business address and residence address of the candidate;
2. the information required of director nominees under Item 401(a), (d), (e), and (f) of Regulation S-K (relating to the nature and existence of certain business, family, and/or legal relationships between the candidate and Farmers, as well as the candidate's prior business and directorship experience);
3. the number and class of all shares of each class of stock of the Company owned of record and beneficially owned by the candidate, as reported to the nominating shareholder by the candidate;
4. the information required of nominees under Item 404(a) of Regulation S-K (relating to the nature and existence of current or potential related party transactions between the candidate and Farmers);
5. a description of why the candidate meets the director criteria set forth in the Corporate Governance Guidelines;
6. a qualitative description of the specific talents and skills that the candidate would offer in service to the Company;





7. any written or oral agreement or understanding with the nominating shareholder or any other person that relates in any way to Farmers or how the candidate would vote or serve as a director;
8. a completed copy of the Company's Questionnaire for New Director Candidates;
9. all financial and business relationships of the candidate, or of any organization of which the candidate is an executive officer or principal shareholder or otherwise controls, with Farmers, the nominating shareholder or, to the candidate's knowledge, any other shareholder of the Company that is acting in concert with the nominating shareholder; and
10. the consent of the candidate to serve as a director of Farmers if so elected.

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

- a. the name and address of the shareholder making the nomination;
- b. the number and class of all shares of each class of stock of Farmers owned of record and beneficially owned by the shareholder;
- c. a representation that the shareholder is a holder of record of Common Shares entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person specified in the notice;
- d. a description of any arrangements between the shareholder and the candidate pursuant to which the nominations are to be made;
- e. a description of any relationships, including business relationships, between the shareholder and the candidate;
- f. whether the shareholder is acting in concert with any person with respect to the Common Shares;
- g. whether the shareholder owns, holds or has the power to vote, individually or in concert with any other person, 5% or more of any class of voting stock of any other organization that competes with the Company;
- h. the information required by Item 401(f) of Regulation S-K (relating to the nature and existence of certain legal proceedings involving Farmers and the nominating shareholder) and whether the shareholder has been or is currently subject to any enforcement action or penalty or, to the shareholder's knowledge, is currently under any investigation that could lead to such an enforcement action or penalty or criminal action;
- i. whether the shareholder is acting on behalf of, or at the request of, any other shareholder; and
- j. if the shareholder is other than an individual (i) the names of the shareholder's five most senior executive officers (or persons performing similar roles), (ii) the names and addresses of each person that has a 10% or more voting, ownership or economic interest in the shareholder and the respective amounts of such interests, (iii) the names and addresses of each person that would be deemed to control the shareholder and (iv) the name and address of any advisor to the shareholder that has the principal responsibility for its investment or voting decisions.

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

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

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

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

#### **Shareholder Proposals for 2017 Annual Meeting**

Proposals by shareholders intended to be presented at the 2017 Annual Meeting of Shareholders must be received by the Secretary of Farmers no later than November 17, 2016, to be eligible for inclusion in Farmers' proxy, notice of meeting, and proxy statement relating to its 2017 Annual Meeting. Farmers will not be required to include in its proxy, notice of meeting, or proxy statement, a shareholder proposal that is received after that date or that otherwise fails to meet the requirements for shareholder proposals established by the applicable SEC rules.

If a shareholder intends to submit a proposal at Farmers' 2017 Annual Meeting of Shareholders that is not eligible for inclusion in the proxy materials relating to the meeting, and the shareholder fails to give the Company notice in accordance with the requirements set forth in the Securities Exchange Act of 1934, as amended (the Exchange Act), by January 31, 2017, then the proxy holders will be allowed to use their discretionary authority with respect to such proposal if the proposal is properly raised at the Company's Annual Meeting in 2017. The submission of such a notice does not ensure that a proposal can be raised at Farmers' Annual Meeting.

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

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

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

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

Section 16(a) of the Exchange Act requires Farmers' directors, officers and persons who own beneficially more than 10% of its Common Shares (Section 16 Filers) to file reports of ownership and transactions in the Common Shares with the Commission and to furnish the Company with copies of all such forms filed. Farmers understands from the information provided to it by Section 16 Filers that the following transactions were not reported on a timely basis during 2015: (i) a purchase of 2,200 Common Shares on December 22, 2015 by director Anne Frederick Crawford; (ii) a purchase of 600 Common Shares on August 21, 2015 by director Gregg Strollo; and (iii) a purchase of 2,925 Common Shares on September 17, 2015 by executive officer Joseph A. Gerzina through his account in the Farmers 401(k) Profit Sharing Retirement Savings Plan.

**PROPOSAL ONE ELECTION OF DIRECTORS**

In accordance with the provisions of Farmers' Regulations, the Board of Directors has currently fixed the number of directors at 11. The Board of Directors is currently divided into three classes, each with three-year terms, and there are currently four directors serving in Class I, four directors serving in Class II, and three directors serving in Class III.

The Corporate Governance and Nominating Committee has recommended to the Board of Directors the re-nomination of each of the three Class III directors. Set forth below for each nominee for election and for each director whose term will continue after the Annual Meeting is a brief statement, including age, principal occupation and business experience during the past five years. In addition, the following information provides the Corporate Governance and Nominating Committee's evaluation regarding the nomination of each of the director nominees and the key attributes, skills, and qualifications presented by each director nominee and the continuing directors. The following information, as of March 17, 2016, with respect to the age, principal occupation or employment, other affiliations and business experience during at least the last five years of each director and director nominee, has been furnished to Farmers by each director nominee and director. Except where indicated, no corporation is a parent, subsidiary, or other affiliate of Farmers.

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

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

**NOMINEES FOR ELECTION AS CLASS III DIRECTORS**

**(Term Expiring in 2019)**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation for Past Five Years and Other Information</b>
Ralph D. Macali	60	Mr. Macali has served as a director of Farmers since December 2001 and is a member of the Audit and Corporate Governance and Nominating Committees. Mr. Macali is the Vice President of Palmer J. Macali, Inc., which owns and operates a retail grocery supermarket, and a partner in P.M.R.P. Partnership, which owns commercial and residential real estate. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Macali has developed through his education and business leadership experiences in the Mahoning Valley business market, as well as his experience as a director of Farmers, allow him to provide continued regional business and leadership expertise to the Board of Directors, and has nominated him for re-election.
Earl R. Scott	70	Mr. Scott has served as a director of Farmers since December 2003 and is a member of the Audit and Board Enterprise Risk Management Committees. Mr. Scott also serves as a director of Farmers Trust Company, a Farmers subsidiary. Mr. Scott is a certified public accountant and President of Reali, Giampetro & Scott, a local accounting firm with offices in the Mahoning Valley. He also serves as trustee and treasurer for Stepping into the Future, Inc., a non-profit corporation based in Vienna, Ohio. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Scott has developed through his education and leadership experiences in the field of accounting, his knowledge and business experience in the Mahoning Valley, as well as his experience as a director of Farmers, allow him to provide continued financial and regional business expertise to the Board of Directors, and has nominated him for re-election.
Gregg Strollo	60	Mr. Strollo has served as a director of Farmers since October 2011 and is a member of the Audit and Board Enterprise Risk Management Committees. Mr. Strollo currently serves as a partner, architect and President of Strollo Architects, a position he has held since 1996. Mr. Strollo serves on the Board of Directors locally for the Better Business Bureau and also for the Youngstown YMCA. In addition he holds the positions of Secretary and member of the Board of Directors for the American Institute of Architects in the State of Ohio. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Strollo has developed through his education and business and leadership experiences in the Mahoning Valley allow him to provide continued financial and regional business expertise to the Board of Directors, and has nominated him for re-election.

**CLASS I DIRECTORS CONTINUING IN OFFICE****(Term Expiring in 2017)**

Name	Age	Principal Occupation for Past Five Years and Other Information
Gregory C. Bestic	61	Mr. Bestic has served as a director of Farmers since April 2011 and is a member of the Audit and Corporate Governance and Nominating Committees. Mr. Bestic is a Principal in Schroedel, Scullin & Bestic, LLC, a certified public accounting and strategic advisory firm located in Canfield, Ohio. Mr. Bestic is a certified public accountant, a certified forensic accountant (Diplomate of the American Board of Forensic Accounting), a fellow of the American College of Forensic Examiners, and is designated as a Chartered Global Management Accountant. Mr. Bestic has practiced with Schroedel, Scullin & Bestic, LLC and its predecessor firm since 1980. He serves on a number of non-profit community and civic boards in the Mahoning Valley, including Salem Community Hospital (dba Salem Regional Medical Center), the Cardinal Joint Fire District, and the Advisory Committee of the Accounting and Finance Department of Youngstown State University. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Bestic has developed through his educational background in business and accounting, as well as his business and leadership experiences in the Mahoning Valley, will allow him to provide accounting, local business and corporate governance expertise to the Board of Directors.
Kevin J. Helmick	44	Mr. Helmick has served as a director of Farmers since April 2014 and as the President and Chief Executive Officer of Farmers since November 2013, and is a member of the Executive Committee. Prior to his appointment as President and Chief Executive Officer, Mr. Helmick served as the Executive Vice President and Secretary of the Company and Executive Vice President Retail and Wealth Management of Farmers Bank since January 2012. Prior to that, Mr. Helmick served as the Vice President of Wealth Management and Retail Services of Farmers Bank since 2008. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Helmick has developed through his education and experiences in the banking and financial services industries, as well as his significant past leadership positions with Farmers, allow him to provide continued business and leadership insight to the Board of Directors.
Terry A. Moore	60	Mr. Moore has served as a director of Farmers since April 2014 and is a member of the Compensation, Corporate Governance and Nominating, and Executive Committees. Mr. Moore is the Chief Executive Officer and President of Krugliak Wilkins Griffiths & Dougherty, a law firm located in Canton, Ohio, with which Mr. Moore has practiced as an attorney since 1990. As CEO and President, he is responsible, with other members of the firm's management committee, to direct and supervise the operations of the law firm. Mr. Moore serves on the Board of Directors of Mercy Medical Center, a non-profit hospital based in Canton, as Chairman of Board of the Mercy Medical Center Development Foundation, as an

Name	Age	Principal Occupation for Past Five Years and Other Information
Howard J. Wenger	73	<p>advisory board member for Malone University, a non-profit university based in Canton, and as trustee for the Hoover Foundation, a non-profit foundation based in Canton. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Moore has developed through his educational background in law, as well as his business and leadership experiences with his law firm and in Stark County, will allow him to provide leadership, local business and corporate governance expertise to the Board of Directors.</p> <p>Mr. Wenger has served as a director of Farmers since July 2015 and is a member of the Compensation and Corporate Governance and Nominating Committees. Mr. Wenger been the President of Wenger Excavating, Inc. since 1966, Lake Region Oil, Inc. since 1979 and Northstar Asphalt, Inc., Massillon Materials, Inc. since 1985, excavating and building materials companies located in Dalton, Ohio. Mr. Wenger serves as trustee for Wayne County Community Foundation, a non-profit corporation based in Wooster, Ohio. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Wenger has developed from his lengthy experience in managing businesses and his entrepreneurial background enable Mr. Wenger to provide valuable insights to the Board, particularly in evaluating the business conditions in markets in which the Company operates as well as in setting corporate strategy.</p>

**CLASS II DIRECTORS CONTINUING IN OFFICE**

**(Term Expiring in 2018)**

Name	Age	Principal Occupation for Past Five Years and Other Information
Lance J. Cirolì	65	<p>Mr. Cirolì has served as a director of Farmers since October 2010 and has served as Chairman of the Board of Directors since October 2011. Mr. Cirolì is a member of the Executive Committee and Chair of the Board Enterprise Risk Management Committee. Since 2009, Mr. Cirolì has operated NBE Bank Consulting Services, a bank consulting services company, which he co-founded in 2009. Prior to founding NBE Bank Consulting Services, Mr. Cirolì was Assistant Deputy Comptroller, Office of the Comptroller of the Currency, United States Treasury Department, in Washington D.C., where he was responsible for the supervision and regulation of nationally chartered community banks in Northern and Eastern Ohio and the Lower Peninsula of Michigan. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Cirolì has developed through his extensive experience in the area of national bank supervision, as well as his knowledge and experience as a director of Farmers, allow him to provide regulatory and local business expertise to the Board of Directors.</p>



Name

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