

FARMERS NATIONAL BANC CORP /OH/
Form DEF 14A
March 18, 2019
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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.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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20 SOUTH BROAD STREET

CANFIELD, OHIO 44406

March 18, 2019

To Our Shareholders:

You are cordially invited to attend the 2019 Annual Meeting of Shareholders of Farmers National Banc Corp. (Farmers or the Company) to be held April 18, 2019, at 10:00 a.m., Eastern Time, at the Company s headquarters at 20 South Broad Street, Canfield, Ohio 44406. You may also attend the meeting via the Internet at www.meetingcenter.io/257959543, where you will be able to vote electronically and submit questions during the meeting.

At the Annual Meeting, you will be asked to: (i) elect one Class III director whose term will expire at the Annual Meeting in 2022; (ii) approve an amendment to the Company s Amended Code of Regulations (Regulations) to provide the Company s Board of Directors with the non-exclusive authority to amend the Regulations; (iii) consider and vote upon a non-binding advisory resolution to approve the compensation of the Company s named executive officers; (iv) ratify the Audit Committee s appointment of CliftonLarsonAllen LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2019; and (v) approve the adjournment of the Annual Meeting, if necessary, in order to solicit additional proxies to adopt the proposed amendment to the Company s Regulations.

Your vote on these matters is important, regardless of the number of shares you own, and all shareholders are encouraged to attend the Annual Meeting via the Internet or in person. However, it is important that your shares be represented regardless of how or whether you plan to attend the Annual Meeting. 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. I particularly encourage your support of Proposal Two and the recommendation of our Board of Directors to amend our Regulations to give our Board of Directors the non-exclusive authority to amend our Regulations as permitted under Ohio law. A further description of Proposal Two can be found on page 23 of the accompanying proxy statement.

Sincerely,

KEVIN J. HELMICK

President and Chief Executive Officer

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FARMERS NATIONAL BANC CORP.

20 SOUTH BROAD STREET

CANFIELD, OHIO 44406

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held Thursday, April 18, 2019

The Annual Meeting of Shareholders of Farmers National Banc Corp. (Farmers or the Company) will be held at the Company s headquarters at 20 South Broad Street, Canfield, Ohio 44406, on Thursday, April 18, 2019, at 10:00 a.m., Eastern Time. You may also attend the meeting via the Internet at www.meetingcenter.io/257959543, where you will be able to vote electronically and submit questions during the meeting.

The 2019 Annual Meeting will be held for the following purposes:

1. to elect one Class III director to serve for a term of three years to expire at the Annual Meeting of Shareholders to be held in 2022;
2. to consider and approve a proposal to amend Article XI of the Company s Amended Code of Regulations (the Regulations), to provide the Company s Board of Directors with the non-exclusive authority to amend the Regulations;
3. to consider and vote upon a non-binding advisory resolution to approve the compensation of the Company s named executive officers;
4. to consider and vote upon a proposal to ratify the appointment of CliftonLarsonAllen LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2019;
5. to approve the adjournment of the Annual Meeting, if necessary, in order to solicit additional proxies to adopt Proposal Two; and
6. to transact such other business as may properly come before the meeting or any adjournments thereof. Farmers Board of Directors is not currently aware of any other business to come before the Annual Meeting.

The Board of Directors has fixed the close of business on March 4, 2019 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 the director nominee and **FOR** each of the other proposals.

By Order of the Board of Directors,

CARL D. CULP

Senior Executive Vice President, Treasurer and Secretary

Canfield, Ohio

March 18, 2019

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FARMERS NATIONAL BANC CORP.

PROXY STATEMENT

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GENERAL INFORMATION

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 2019 Annual Meeting of Shareholders (the Annual Meeting), and at any adjournment or postponement thereof. The Annual Meeting will be held Thursday, April 18, 2019, at 10:00 a.m., Eastern Time at the Company s headquarters, 20 South Broad Street, Canfield, Ohio 44406 and via the Internet at www.meetingcenter.io/257959543, where you will be able to vote electronically and submit questions during the meeting. 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 2018 Annual Report to Shareholders (the Annual Report), are being mailed to the shareholders of the Company on or about March 18, 2019. This Proxy Statement contains important information for you to consider when deciding how to vote. Please read this information carefully.

Important notice regarding the availability of proxy materials for the Annual Meeting to be held on Thursday, April 18, 2019: This proxy statement, the Form 10-K for the year ended December 31, 2018 and the 2018 Annual Report to Shareholders are available at www.farmersbankgroup.com.

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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 18, 2019, at 10:00 a.m., Eastern Time at the Company's headquarters, 20 South Broad Street, Canfield, Ohio 44406 and via the Internet at www.meetingcenter.io/257959543 where you will be able to vote electronically and submit questions during the meeting. 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 4, 2019 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 4, 2019, 27,790,602 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 Farmers' 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 Farmers' 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 before the meeting at www.envisionreports.com/FMNB;

By submitting your vote electronically via the Internet during the meeting at www.meetingcenter.io/257959543; or

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

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For the Annual Meeting, Farmers is offering shareholders of record the opportunity to vote their Common Shares electronically through the Internet or by telephone by following the procedures described on the enclosed proxy instead of submitting the enclosed proxy by mail. In order to vote via the Internet or by telephone, please have the enclosed proxy in hand, and go to the website listed on the proxy or call the number and follow the instructions. The Internet and telephone voting procedures are designed to authenticate shareholder identities, to allow shareholders to give their voting instructions, and to confirm that shareholder 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.

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 4, 2019 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 the one Class III director nominee listed under **Proposal One Election of Directors;**

FOR the proposal to amend Article XI of the Company's Amended Code of Regulations (Regulations) under **Proposal Two Adoption and Approval of Amendment to Article XI of the Amended Code of Regulations;**

FOR the non-binding advisory resolution to approve the compensation of the Company's named executive officers under **Proposal Three Advisory Vote on Executive Compensation;**

FOR the ratification of the appointment of CliftonLarsonAllen LLP as Farmers' independent registered public accounting firm for the year ending December 31, 2019 under **Proposal Four Ratification of Selection of Independent Registered Public Accounting Firm;** and

FOR the approval of the adjournment of the Annual Meeting, if necessary, in order to solicit additional proxies in the event there are insufficient votes at the time of the Annual Meeting to adopt Proposal Two to amend the Regulations, under **Proposal Five Adjournment of Annual Meeting.**

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.

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May I Revoke or Change My Vote?

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:

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

executing 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 4, 2019. 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 9,263,534 Common Shares must be represented at the Annual Meeting in person or by proxy in order to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. Street name holders generally cannot vote their Common Shares directly and must instead instruct the broker, bank or other shareholder of record how to vote their Common Shares using the voting instructions provided by it. If a street name holder does not provide timely instructions, the broker or other nominee may have the authority to vote on some proposals but not others. If a broker or other nominee votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner, this results in a broker non-vote. Broker non-votes on a matter are counted as present for purposes of establishing a quorum for the meeting, but are not considered entitled to vote on that particular matter.

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

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

Proposal	Vote Required
<p>Proposal One Election of Directors</p>	<p>Election of the one Class III director nominee 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 WITHHOLD AUTHORITY will not be counted toward the election of the director or toward the election an individual nominee and, thus, will have no effect other than that they will be counted for establishing a quorum.</p>
<p>Proposal Two Approval of Amendment to Article XI of the Amended Code of Regulations</p>	<p>The proposal to amend Article XI of the Regulations requires the affirmative vote of the holders of common shares entitled to exercise at least a majority of the voting power of Farmers. Shareholders may vote FOR, AGAINST or ABSTAIN from voting on Proposal Two. Abstentions and broker non-votes will be counted as present and entitled to vote for purposes of Proposal Two and thus will have the same effect as votes against Proposal Two.</p>
<p>Proposal Three Advisory Vote on Executive Compensation</p>	<p>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 FOR, AGAINST or ABSTAIN from voting on Proposal Three. Broker non-votes will not be counted for the purpose of determining whether Proposal Three has been approved. Abstentions will be counted as present and entitled to vote for purposes of Proposal Three and thus will have the same effect as a vote against Proposal Three. As this is an advisory vote, the outcome of the vote is not binding on the Compensation</p>

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Committee or the Board of Directors with respect to future executive compensation decisions, including those relating to Farmers 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.

Proposal Four Ratification of Selection of Independent Registered Public Accounting Firm

The proposal to ratify the appointment of Farmers independent registered public accounting firm requires the affirmative vote of the holders of a majority of the Common Shares present, represented and entitled to vote at the Annual Meeting. Shareholders may vote **FOR**, **AGAINST** or **ABSTAIN** from voting on Proposal Four. Abstentions will be counted as present and entitled to vote for purposes of Proposal Four and thus will have the same effect as a vote against Proposal Four.

Proposal Five Approval of Adjournment of the Annual Meeting

The proposal to adjourn the Annual Meeting requires the affirmative vote of the holders of a majority of the Common Shares present, represented and entitled to vote at the Annual Meeting, whether or not a quorum is present. Shareholders may vote **FOR**, **AGAINST** or **ABSTAIN** from voting on Proposal Five. Broker non-votes will not be counted for the purpose of determining whether Proposal Five has been approved. Abstentions will be counted as present and entitled to vote for purposes of Proposal Five and thus will have the same effect as a vote against Proposal Five.

Under Ohio law, the Articles, and Farmers 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 11 of this proxy statement.

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CORPORATE GOVERNANCE

The Board of Directors Independence

The Board of Directors is currently comprised of 10 members, one of whom is a nominee for re-election at the Annual Meeting. Additional information regarding the director nominee is set forth in **Proposal One Election of Directors** beginning on page 16 of this proxy statement. In 2018, 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	Lance J. Cirolì
Anne Frederick Crawford	Ralph D. Macali
Terry A. Moore	Edward W. Muransky
David Z. Paull	James R. Smail
Gregg Strollo	

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

During 2018, 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, if any. Where such business relationships other than ordinary banking relationships exist, the Board of Directors evaluates the scope and nature of each business relationship. There were no such business relationships between Farmers and its directors or the directors' affiliated companies that were so considered by the Board of Directors in 2018.

Certain Relationships and Related Transactions

Farmers' Audit Committee is responsible for reviewing and approving, pursuant to the Company's written policy, 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

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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 Board of Directors 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 outstanding to insiders of Farmers at any time since January 1, 2018: (i) were made in the ordinary course of business; (ii) were 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) did not involve more than the normal risk of collectability or present other unfavorable features.

Attendance at Meetings

The Board of Directors held 11 meetings during 2018. 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, except Mr. Scott who retired on July 17, 2018. 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 current members of the Board of Directors attended the 2018 Annual Meeting held on April 19, 2018.

Board Leadership Structure and Role in Risk Oversight

The Board of Directors has appointed Lance J. Cirolì as its non-executive Chairman. As Chairman, Mr. Cirolì 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. The Board of Directors has also appointed James R. Smail as its non-executive Vice Chairman. As Vice Chairman, Mr. Smail presides over meetings of the Board of Directors in the absence of Mr. Cirolì, and also 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. 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. Cirolì 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

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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 Gregory C. Bestic (Chairman), Ralph D. Macali and Gregg Stollo, each of whom also served on the Audit Committee during 2018. During the 2018 calendar year, Earl R. Scott also served on the Audit Committee. The Board of Directors has determined that Mr. Bestic qualifies as an audit committee financial expert. Specifically, the Board of Directors has determined that Mr. Bestic 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. Bestic has acquired these attributes through education and experience as a certified public accountant and, specifically, as a Principal in Schroedel, Scullin & Bestic, LLC, a certified public accounting and strategic advisory firm located in Canfield, Ohio. 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. The Audit Committee held five meetings during 2018.

Compensation Committee

The Compensation Committee establishes policies and levels of reasonable compensation for the executive officers of the Company and generally administers the

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Company's incentive compensation programs. The members of the Compensation Committee members currently are David Z. Paull (Chair), Anne Frederick Crawford, Terry A. Moore and James R. Smail, each of whom also served on the Compensation Committee during 2018. During the 2018 calendar year, Earl R. Scott also served on the Compensation Committee. 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. The Compensation Committee held five meetings during 2018.

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 25.

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 members of the Corporate Governance and Nominating Committee currently are Terry A. Moore (Chair), Gregory C. Bestic, Anne Frederick Crawford, Ralph D. Macali, and Edward W. Muransky, each of whom also served on the Corporate Governance and Nominating Committee during 2018. 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. The Corporate Governance and Nominating Committee held five meetings during 2018.

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

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relating to the management of enterprise-wide risk. The members of the Board Enterprise Risk Management Committee currently are Lance J. Ciroli (Chair), Edward W. Muransky, David Z. Paull, 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. 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 2018. 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 25.

Executive Committee

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 members of the Executive Committee are James R. Smail (Chair), Lance J. Ciroli, Kevin J. Helmick, and Terry A. Moore, all of whom also served on the Executive Committee during 2018. 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. The Executive Committee held eleven meetings in 2018.

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 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