

FARMERS NATIONAL BANC CORP /OH/

Form 424B3

May 11, 2015

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Registration No. 333-202822**

Proxy Statement and Prospectus of

Farmers National Banc Corp.

Proxy Statement of

National Bancshares Corporation

MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely,

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

Sincerely,

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

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

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

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

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NATIONAL BANCSHARES CORPORATION

112 West Market Street

Orrville, Ohio 44667

Notice of Special Meeting of Shareholders

To be held on June 12, 2015

To the Shareholders of National Bancshares Corporation:

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

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

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

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

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

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

By Order of the Board of Directors,

Mark R. Witmer

President and Chief Executive Officer

National Bancshares Corporation

May 11, 2015

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FARMERS NATIONAL BANC CORP.

20 South Broad Street

Canfield, Ohio 44406

Notice of Special Meeting of Shareholders

To be held on June 12, 2015

To the Shareholders of Farmers National Banc Corp.:

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

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

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

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

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

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

By Order of the Board of Directors,

Kevin J. Helmick

President and Chief Executive Officer

Farmers National Banc Corp.

May 11, 2015

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WHERE YOU CAN FIND MORE INFORMATION

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

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

Farmers National Banc Corp.

National Bancshares Corporation

20 South Broad Street

112 West Market Street

Canfield, Ohio 44406

Orrville, Ohio 44667

Attention: Investor Relations

Attention: Shareholder Relations

(330) 533-3341

(330) 765-0609

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

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

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

RECENT DEVELOPMENTS

Unaudited Interim Financial Results of Farmers

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

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

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

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

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

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

Unaudited Interim Financial Results of NBOH

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

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

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

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

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

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

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

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**QUESTIONS AND ANSWERS ABOUT THE MERGER
AND THE SPECIAL MEETINGS**

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

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

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

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

Q: What will NBOH shareholders receive in the Merger?

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

4.034 Farmers common shares, or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Q: Can I change my election?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q: How do I vote?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q: When is the Merger expected to be completed?

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

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

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

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

Q: What do I need to do now?

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

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

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

Q: Who can answer my questions?

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

Farmers National Banc Corp.

Attention: Investor Relations

20 South Broad Street

Canfield, Ohio 44406

(330) 533-3341

National Bancshares Corporation

Attention: Shareholder Relations

112 West Market Street

Orrville, Ohio 44667

(330) 765-0609

Morrow & Co., LLC (Farmers Proxy Solicitor)

470 West Avenue 13 Floor

Stamford, Connecticut 06902

Toll-Free: (800) 267-0201

Georgeson Inc. (NBOH's Proxy Solicitor)

480 Washington Boulevard, 26th Floor

Jersey City, New Jersey 07310

Toll-Free: (866) 775-2705

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SUMMARY

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

The Companies

Farmers National Banc Corp.

Farmers National Banc Corp.

20 South Broad Street

Canfield, Ohio 44406

Phone: (330) 533-3341

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

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

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

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

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

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

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

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

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

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

National Bancshares Corporation

National Bancshares Corporation

112 West Market Street

Orrville, Ohio 44667

Phone: (330) 765-0609

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

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

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

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

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

The Merger Agreement (page 71)

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

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

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

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

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

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

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

approximately \$2.2 million.

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Exchange of NBOH common shares (page 72)

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

NBOH special meeting of shareholders (page 37)

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

a proposal to adopt and approve the Merger Agreement;

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

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

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

Farmers special meeting of shareholders (page 41)

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

a proposal to adopt and approve the Merger Agreement;

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

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

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

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

Required vote (pages 37, 41)

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

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

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

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

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

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

Recommendation to NBOH shareholders (page 40)

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

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

Opinion of NBOH's Financial Advisor (page 51)

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

Recommendation to Farmers shareholders (page 44)

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

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

Opinion of Farmers' Financial Advisor (page 59)

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

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

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

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

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

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

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

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

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

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

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

Dissenters' rights of NBOH shareholders (page 45)

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

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

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

Certain differences in shareholder rights (page 84)

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

Regulatory approvals required for the Merger (page 65)

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

Conditions to the Merger (page 80)

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

Termination; Termination Fee (page 81)

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

by mutual written consent of Farmers and NBOH;

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

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

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

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

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

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

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

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

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

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

The following table summarizes financial results achieved by Farmers for the periods and at the dates indicated and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Farmers' Consolidated Financial Statements and the notes to the Consolidated Financial Statements contained in reports that Farmers has previously filed with the SEC. Historical financial information for Farmers can be found in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014. The selected operating data presented below are not necessarily indicative of the results that may be expected for future periods. See *WHERE YOU CAN FIND MORE INFORMATION* in the forepart of this document for instructions on how to obtain the information that has been incorporated by reference. You should not assume the results of operations for past periods noted below indicate results for any future period.

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

**SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF
FARMERS NATIONAL BANC CORP.**

	At December 31,				
<i>(Dollars in thousands, except per share data)</i>	2014	2013	2012	2011	2010
Selected Financial Data:					
Total assets	\$ 1,136,967	\$ 1,137,326	\$ 1,139,695	\$ 1,067,871	\$ 982,751
Loans, net of allowance for loan losses ⁽¹⁾	656,220	623,116	578,963	561,986	581,060
Allowance for loan losses	7,632	7,568	7,629	9,820	9,307
Securities available for sale	389,829	422,985	464,088	400,029	314,347
Goodwill and other intangible assets	8,813	10,343	6,032	6,441	6,920
Total deposits	915,703	915,216	919,009	840,125	761,050
FHLB borrowings	28,381	19,822	10,359	11,134	24,544
Total stockholders' equity	123,560	113,007	120,792	114,445	88,048

	For the year ended December 31,				
	2014	2013	2012	2011	2010
Selected Operating Data:					
Total interest income	\$ 40,915	\$ 40,959	43,110	44,434	48,365
Total interest expense	4,579	5,063	6,212	7,837	10,998
Net interest income	36,336	35,896	36,898	36,597	37,367
Provision for loan losses	1,880	1,290	725	3,650	8,078
Net interest income after provision for loan losses	34,456	34,606	36,173	32,947	29,289
Total non-interest income	15,303	13,914	12,578	12,539	13,210
Total non-interest expense	38,162	39,057	35,764	33,728	30,964
Income before income tax expense	11,597	9,463	12,987	11,758	11,535
Income tax expense	2,632	1,683	3,055	2,540	2,544

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At December 31, 2014	
(In thousands)	
Pro forma combined balance sheet data:	
Total assets	\$ 1,665,968
Loans, net	1,055,426
Deposits	1,334,612
Total shareholders' equity	174,915

Year Ended	
December 31, 2014	
(In thousands)	
Pro forma combined balance sheet data:	
Interest income	\$ 59,857
Interest expense	5,848
Net interest income	54,009
Provision for loan losses	2,179
Net interest income after provision for loan losses	51,830
Non-interest income	18,238
Non-interest expense	50,645
Income before income taxes	19,423
Provision for income taxes	4,757
Net income	\$ 14,666

Pro forma per share data:

Basic earnings	\$	0.57
Diluted earnings	\$	0.57

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(In thousands, except share and per share amounts)

Basis of Presentation

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

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

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

Estimated Merger and Integration Costs

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

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

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

Pro Forma Adjustments

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

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

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

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

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

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

E Adjustment to goodwill

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

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

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

Adjustment to loans fair value	(3,439)
Adjustment to allowance for loan losses	4,063
Adjustment to foreclosed assets	(74)
Adjustment to premises and equipment	(873)
Adjustment to core deposit intangible	5,154
Adjustment to deposits	(577)

Subtotal for fair value adjustments	\$ 4,254
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Calculated deferred taxes at Farmers estimated statutory rate 35%	\$ (1,489)
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H Negative adjustment of \$74 to reflect the estimated fair value of foreclosed and repossessed assets based on third party estimates adjusted for estimated costs to sell. Subsequent to the completion of the transaction, Farmers will finalize its determination of the fair value of the acquired foreclosed and repossessed property which could significantly change the estimated purchase accounting adjustments.

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

J Adjustment to common shares

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

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

L Adjustments to retained earnings

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

M To reflect the elimination of NBOH other comprehensive income.

N To reflect the elimination of NBOH treasury stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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RISK FACTORS

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

Risks Related to the Merger

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Farmers' Business

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

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FORWARD-LOOKING STATEMENTS

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

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

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

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

statements regarding future economic performance; and

statements regarding assumptions underlying any such statements.

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

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

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

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

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

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

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

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

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

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

material changes in the value of Farmers' common shares;

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

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

inflation, interest rate, securities market and monetary fluctuations;

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

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

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

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

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

governmental and public policy changes; and

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

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

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THE SPECIAL MEETING OF SHAREHOLDERS OF NBOH

Time, Date and Place

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

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

Matters to be Considered

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

a proposal to adopt and approve the Merger Agreement;

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

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

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

Record Date; Shares Outstanding and Entitled to Vote

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

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

Votes Required; Quorum

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

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

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

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

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

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

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

Solicitation and Revocation of Proxies

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

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

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

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

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

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

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

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

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

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PROPOSALS SUBMITTED TO NBOH SHAREHOLDERS

NBOH Merger Proposal

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

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

NBOH Adjournment Proposal

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

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

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

Other Matters to Come Before the NBOH Special Meeting

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

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THE SPECIAL MEETING OF SHAREHOLDERS OF FARMERS

Time, Date and Place

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

Matters to be Considered

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

a proposal to adopt and approve the Merger Agreement;

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

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

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

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

Record Date; Shares Outstanding and Entitled to Vote

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

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

Votes Required; Quorum

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

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

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Your vote is important. The adoption and approval of the Merger Agreement requires the affirmative vote of the holders of not less than two-thirds of the Farmers common shares outstanding and entitled to vote at the Farmers special meeting. The issuance of common shares requires the affirmative vote of the holders of a majority of Farmers common shares represented, in person or by proxy, at the special meeting. Brokers who hold Farmers common shares in street name for the beneficial owners cannot vote these Farmers common shares on the adoption and approval of the Merger Agreement without specific instructions from the beneficial owners. If you fail to vote or if you mark

ABSTAIN on your proxy card, or if your Farmers common shares are held in street name and you fail to instruct your broker how to vote, it will have the same effect as a vote **AGAINST** the adoption and approval of the Merger Agreement.

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

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

Solicitation and Revocation of Proxies

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

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

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

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

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

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

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

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

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

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PROPOSALS SUBMITTED TO FARMERS SHAREHOLDERS

Farmers Merger Proposal

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

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

Farmers Common Shares Issuance Proposal

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

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

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

Farmers Adjournment Proposal

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

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

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

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

Other Matters to Come Before the Farmers Special Meeting

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

DISSENTERS' RIGHTS

Rights of Dissenting NBOH Shareholders

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

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

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

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

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

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THE MERGER

The Proposed Merger

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

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

Background of the Merger

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

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

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

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

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

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

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

the combined company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

diligence inquiry into Farmers.

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

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

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

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

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

approved and adopted the Merger Agreement;

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

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

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

NBOH's Reasons for the Merger

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the possibility of litigation in connection with the Merger.

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

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

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

Recommendation of the NBOH Board of Directors

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

Opinion of NBOH's Financial Advisor

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

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

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

of the Merger.

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

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

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

reviewed the Merger Agreement, dated January 27, 2015;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 1

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

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

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

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

(3) Based on the implied value of \$30.63, as a result of Farmers' closing stock price of \$7.50 on January 26, 2015.

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

Table 2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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assurancFuZ2U6YTViODMyNWI2YjUxNGY0MzgxYzI4YThiODlkZGZhYWVfMjQtMy0xLTEtMA_75210197-9fe4-44d8-
 liabilities(90.1)(77.4)Income taxes12.3 (14.1)Other noncurrent liabilities0.3 5.0 **Net cash provided by operating activities**29.3 55.1 **Cash**
flows from investing activities:Capital expenditures(33.9)(35.8)Cash paid for acquisitions of businesses and equity investments, net of cash
 acquired— (6.7)Cash paid on sale of business or product line(1.0)— Cash received on derivatives contracts22.7 — Cash paid on derivatives
 contracts— (2.4)Expenditures for identifiable intangible assets— (3.3)Purchase of short-term investments(0.8)— Proceeds from sale of property, plant
 and equipment, net0.3 3.0 **Net cash used in investing activities**(12.7)(45.2)**Cash flows from financing activities:**Repayments on short-term
 borrowings(67.9)(7.8)Cash dividends paid(19.5)(19.8)Proceeds from long-term borrowings, net of deferred financing costs0.9 0.1 Repayments
 on long-term borrowings(1.9)(0.2)Proceeds from exercised stock options19.8 8.3 Cash paid for contingent consideration on prior
 acquisitions(30.6)— **Net cash used in financing activities**(99.2)(19.4)Effect of exchange rate changes on cash and cash equivalents(1.6)6.0 Net
 decrease in cash and cash equivalents(84.2)(3.5)Cash and cash equivalents at beginning of period309.6 320.6 Cash and cash equivalents at end
 of period\$225.4 \$317.1

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

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DENTSPLY SIRONA Inc. and Subsidiaries

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and the rules of the U.S. Securities and Exchange Commission (“SEC”). The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by US GAAP. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. Results for interim periods should not be considered indicative of results for a full year. These financial statements and related notes contain the accounts of DENTSPLY SIRONA Inc. and Subsidiaries (“Dentsply Sirona” or the “Company”) on a consolidated basis and should be read in conjunction with the consolidated financial statements and notes included in the Company’s most recent Form 10-K for the year ended December 31, 2018.

The accounting policies of the Company, as applied in the interim consolidated financial statements presented herein are substantially the same as presented in the Company’s Form 10-K for the year ended December 31, 2018, except as may be indicated below.

Revenue Recognition

At March 31, 2019, the Company had \$28.7 million of deferred revenue recorded in Accrued liabilities in the Consolidated Balance Sheets. The Company expects to recognize significantly all of the deferred revenue within the next twelve months.

Accounts and Notes Receivable

The Company records a provision for doubtful accounts, which is included in Selling, general and administrative expenses in the Consolidated Statements of Operations.

Accounts and notes receivables – trade, net are stated net of allowances for doubtful accounts and trade discounts, which were \$32.5 million at March 31, 2019 and \$24.5 million at December 31, 2018.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) with subsequent amendments (collectively, “Topic 842”). The Company adopted the new leasing standards on January 1, 2019 using the modified retrospective approach transition method. Results for reporting periods beginning after January 1, 2019 are presented under ASC 842, while prior periods are not adjusted and continue to be reported in accordance with historic accounting under ASC 840. The Company elected the package of practical expedients permitted under the transition guidance within the standard, which eliminates the reassessment of past leases, classification and initial direct costs. The Company did not elect to adopt the hindsight practical expedient. The Company recognized material right-of-use assets and liabilities in the Consolidated Balance Sheets for its operating lease commitments with terms greater than twelve months. See Note 8, Leases for additional information. The impact of adopting this standard, by financial statement line item, on January 1, 2019 was as follows:

(in millions)	Balance at January 1, 2019
Assets	
Operating lease right-of-use assets, net	167.1
Property, plant, and equipment, net	1.8
Liabilities	
Accrued liabilities	\$ 39.4
Notes payable and current portion of long-term debt	0.2
Long-term debt	1.5
Operating lease liabilities	126.5

In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging.” This newly issued accounting standard improves the financial reporting and disclosure of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. The amendments in this update make improvements to simplify the application of the hedge accounting guidance in current US GAAP based on the feedback received from preparers, auditors, users and other stakeholders. More specifically, this update expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instruments and the hedged items in the financial statements. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. For cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the amendments in this update. The amended presentation and disclosure guidance is required only prospectively. The Company adopted this accounting standard during the quarter ended March 31, 2019. The adoption of this standard did not materially impact the statements of operations, financial position, cash flows and disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-14 "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit

Plans." This newly issued accounting standard changes disclosure requirements for defined benefit plans, including removal and modification of existing disclosures. The amendments in this standard are required for fiscal years ending after December 15, 2020. Early adoption is permitted. The amendments should be applied on a retrospective basis for all periods presented. The Company is currently assessing the impact that this standard will have on its financial position, results of operations, cash flows and disclosures.

NOTE 2 – STOCK COMPENSATION

The following represents total stock based compensation expense for non-qualified stock options, RSUs and the tax related benefit for the three months ended March 31, 2019 and 2018:

(in millions)	Three Months Ended	
	2019	2018
Stock option expense	\$ 2.2	\$ 0.7
RSU expense	6.7	8.3
Total stock based compensation expense	\$ 8.9	\$ 9.0
Related deferred income tax benefit	\$ 1.4	\$ 1.8

For the three months ended March 31, 2019, stock compensation expense was \$8.9 million of which \$8.6 million was recorded in Selling, general, and administrative expense, and \$0.3 million was recorded in Cost of products sold in the Consolidated Statements of Operations.

For the three months ended March 31, 2018, stock compensation expense was \$9.0 million, of which \$7.0 million was recorded in Selling, general, and administrative expense, and \$0.3 million was recorded in Cost of products sold in the Consolidated Statements of Operations. For the three months ended March 31, 2018, the Company recorded \$1.7 million in Restructuring and other costs in the Consolidated Statements of Operations.

During the three months ended March 31, 2019, the Company granted certain performance-based RSUs issued under the 2016 Omnibus Incentive Plan. The RSUs adjusted operating income margin performance target approximates the adjusted operating income margin targets previously disclosed by the Company as part of its effort to support revenue growth and margin expansion. The performance target needs to be achieved for five consecutive quarters before vesting. The performance period begins January 1, 2019 and concludes on December 31, 2022.

NOTE 3 – COMPREHENSIVE INCOME (LOSS)

The following summarizes the components of Other comprehensive (loss) income, net of tax, for the three months ended March 31, 2019 and 2018:

(in millions)	Three Months Ended	
	2019	2018
Foreign currency translation (losses) gains	\$ (71.9)	\$ 84.0
Foreign currency translation gain (loss) on hedges of net investments	10.6	(18.9)

These amounts are recorded in Accumulated other comprehensive loss ("AOCI"), net of any related tax adjustments. At March 31, 2019 and December 31, 2018, the cumulative tax adjustments were \$146.6 million and \$157.4 million, respectively, primarily related to foreign currency translation gains and losses.

The cumulative foreign currency translation adjustments included translation losses of \$244.9 million and \$172.9 million at March 31, 2019 and December 31, 2018, respectively, and cumulative losses on loans designated as hedges of net investments of \$101.1 million and \$111.8 million, respectively. These foreign currency translation losses were partially offset by movements on derivative financial instruments.

Changes in AOCI, net of tax, by component for the three months ended March 31, 2019 and 2018 were as follows:

(in millions)	Foreign Currency Translation (Loss)	Gain (Loss) on Cash Flow Hedges	(Loss) Gain on Net Investment Hedges	Pension Liability (Loss) Gain	Total
Balance, net of tax, at December 31, 2018	\$ (284.7)	\$ 0.6	\$ (111.4)	\$ (83.2)	\$ (478.7)
Other comprehensive (loss) income before reclassifications and tax impact	(59.9)	(7.7)	18.6	—	(49.0)
Tax (expense) benefit	(1.4)	2.4	(11.8)	—	(10.8)
Other comprehensive (loss) income,	(61.3)	(5.3)	6.8	—	(59.8)

net of tax,
before
reclassifications

Amounts
reclassified
from

accumulated
other
comprehensive
income, net of
tax

Net (decrease)
increase in other
comprehensive
loss

Balance, net of
tax, at March
31, 2019

—	0.2	—	0.9	1.1
(61.3)	(5.1)	6.8	0.9	(58.7)
\$ (346.0)	\$ (4.5)	\$ (104.6)	\$ (82.3)	\$ (537.4)

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(in millions)	Foreign Currency Translation (Loss) Gain	(Loss) Gain on Cash Flow Hedges	(Loss) Gain on Net Investment Hedges	Net Unrealized Holding Gain on Available-for-sale Securities	Pension Liability (Loss) Gain	Total
Balance, net of tax, at December 31, 2017	\$ (104.5)	\$ (12.6)	\$ (127.6)	\$ 44.3	\$ (90.6)	\$ (291.0)
Other comprehensive income (loss) before reclassifications and tax impact	84.3	(7.0)	(17.9)	—	—	59.4
Tax (expense) benefit	(19.2)	1.3	9.3	—	—	(8.6)
Other comprehensive income (loss), net of tax, before reclassifications	65.1	(5.7)	(8.6)	—	—	50.8
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	—	2.3	—	(44.3)	1.2	(40.8)
Net increase (decrease) in other comprehensive loss	65.1	(3.4)	(8.6)	(44.3)	1.2	10.0
Balance, net of tax, at March 31, 2018	\$ (39.4)	\$ (16.0)	\$ (136.2)	\$ —	\$ (89.4)	\$ (281.0)

Reclassifications out of AOCI to the Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018 were as follows:

Amounts Reclassified from AOCI			Affected Line
(in millions)	Three Months Ended		Item in the
Details about AOCI Components	2019	2018	Consolidated Statements of Operations
Loss on derivative financial instruments:			
Interest rate swaps	(0.6)	\$ (0.6)	Interest expense
Foreign exchange forward contracts	0.4	(1.8)	Cost of products sold
Net loss before tax	(0.2)	(2.4)	
Tax impact		0.1	Provision for income taxes
Net loss after tax	\$ (0.2)	\$ (2.3)	

Amortization of defined benefit pension and other postemployment benefit items:

Amortization of prior service benefits	\$ 0.1	\$ —	(a)
Amortization of net actuarial losses	(1.4)	(1.7)	(a)
Net loss before tax	(1.3)	(1.7)	
Tax	0.4	0.5	Provision

impact for income
taxes

Net
loss \$ (0.9) \$ (1.2)
after
tax

Total
reclassifications
for \$ (1.1) \$ (3.5)
the
period

(a) These AOCI components are included in the computation of net periodic benefit cost for the three months ended March 31, 2019 and 2018.

NOTE 4 – EARNINGS PER COMMON SHARE**Basic Earnings
Per Common
Share
Computation**(in millions,
except per share
amounts)

Three Months Ended

2019 2018

Net income
attributable to
Dentsply Sirona

\$ 39.2 \$ 81.2

Weighted
average
common shares
outstanding

223.3 227.2

Earnings per
common share -
basic

\$ 0.18 \$ 0.36

**Diluted
Earnings Per
Common
Share
Computation**(in millions,
except per share
amounts)

Three Months Ended

2019 2018

Net income
attributable to
Dentsply Sirona

\$ 39.2 \$ 81.2

Weighted
average
common shares
outstanding

223.3 227.2

Incremental
weighted
average shares
from assumed
exercise of
dilutive options
from
stock-based
compensation
awards

1.7 2.7

Total weighted
average diluted

225.0 229.9

shares
outstanding

Earnings per common share - diluted	\$	0.17	\$	0.35
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The calculation of weighted average diluted common shares outstanding excludes stock options and RSUs of 4.5 million equivalent shares of common stock that were outstanding during the three months ended March 31, 2019 because their effect would be antidilutive. There were 1.6 million antidilutive equivalent shares of common stock outstanding during the three months ended March 31, 2018, respectively.

NOTE 5 – BUSINESS COMBINATIONS

On May 1, 2018, the Company acquired all of the outstanding shares of privately held OraMetrix, Inc. for \$120.0 million, with an additional payment totaling \$30.0 million, subject to meeting certain earn-out provisions. During the quarter ended March, 31, 2019, the Company paid the earn-out provision. OraMetrix specializes in orthodontic treatment planning software, wire bending, and clear aligner manufacturing and is headquartered in Richardson, Texas.

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NOTE 6 – SEGMENT INFORMATION

The Company has numerous operating businesses covering a wide range of dental consumable products, dental technology and dental equipment products primarily serving the professional dental market, and certain healthcare products. Professional dental products represented approximately 92% of net sales for all periods presented.

The operating businesses are combined into two operating groups, which generally have overlapping geographical presence, customer bases, distribution channels, and regulatory oversight. These operating groups are considered the Company's reportable segments as the Company's chief operating decision-maker regularly reviews financial results at the operating group level and uses this information to manage the Company's operations. The accounting policies of the segments are consistent with those described in the Company's most recently filed Form 10-K, in the summary of significant accounting policies.

The Company evaluates performance of the segments based on the groups' net third party sales, excluding precious metal content, and segment adjusted operating income. Net third party sales excluding precious metal content is considered a measure not calculated in accordance with US GAAP, and is therefore considered a non-US GAAP measure. Management believes that the presentation of net sales, excluding precious metal content, provides useful information to investors because a portion of Dentsply Sirona's net sales is comprised of sales of precious metals generated through sales of the Company's precious metal dental alloy products, which are used by third parties to construct crown and bridge materials. Due to the fluctuations of precious metal prices and because the cost of the precious metal content of the Company's sales is largely passed through to customers and has minimal effect on earnings, Dentsply Sirona reports net sales both with and without precious metal content to show the Company's performance independent of precious metal price volatility and to enhance comparability of performance between periods. The Company uses its cost of precious metal purchased as a proxy for the precious metal content of sales, as the precious metal content of sales is not separately tracked and invoiced to customers. The Company believes that it is reasonable to use the cost of precious metal content purchased in this manner since precious metal dental alloy sale prices are typically adjusted when the prices of underlying precious metals change. The Company's exclusion of precious metal content in the measurement of net third party sales enhances comparability of performance between periods as it excludes the fluctuating market prices of the precious metal content. The Company also evaluates segment performance based on each segment's adjusted operating income before provision for income taxes and interest. Segment adjusted operating income is defined as operating income before income taxes and before certain corporate headquarter unallocated costs, restructuring and other costs, interest expense, interest income, other expense (income), net, amortization of intangible assets and depreciation resulting from the fair value step-up of property, plant and equipment from acquisitions. The Company's segment adjusted operating income is considered a non-US GAAP measure. A description of the products and services provided within each of the Company's two operating segments is provided below.

During the three months ended March 31, 2019, certain reclassifications have been made to prior year's data in order to conform to current year presentation. Specifically, during the three months ended March 31, 2019, the Company's laboratory dental business moved into the Consumables segment as the products sold from this business are typically made on a recurring basis and have similar sales and operating characteristics as the other businesses in this segment. The Company moved the orthodontics business into the Technologies & Equipment segment to take advantage of the synergies related to digital planning and treatment within this segment. The Company also moved the instruments business into the Technologies & Equipment segment in order to take advantage of the synergies that stem from pairing equipment with instruments, which are often sold in conjunction with each other. The segment information reflects the revised structure for all periods shown.

Technologies & Equipment

This segment is responsible for the worldwide design, manufacture, sales and distribution of the Company's Dental Technology and Equipment Products and Healthcare Consumable Products. These products include dental implants, CAD/CAM systems, orthodontic dental products, imaging systems, treatment centers, instruments as well as consumable medical device products.

Consumables

This segment is responsible for the worldwide design, manufacture, sales and distribution of the Company's Dental Consumable Products which include preventive, restorative, endodontic and laboratory dental products.

The following set forth information about the Company's segments for the three months ended March 31, 2019 and 2018:

Third Party Net Sales

	Three Months Ended	
(in millions)	2019	2018
Technologies & Equipment	\$ 520.8	\$ 510.1
Consumables	425.4	446.0
Total net sales	\$ 946.2	\$ 956.1

Third Party Net Sales, Excluding Precious Metal Content

	Three Months Ended	
(in millions)	2019	2018
Technologies & Equipment	\$ 520.8	\$ 510.1
Consumables	414.2	435.7
Total net sales, excluding precious metal content	935.0	945.8
Precious metal content of sales	11.2	10.3
Total net sales, including precious metal content	\$ 946.2	\$ 956.1

Segment Adjusted Operating Income

	Three Months Ended	
(in millions)	2019	2018
Technologies & Equipment	\$ 71.8	\$ 68.5
Consumables	105.7	114.7
Segment adjusted operating income before income taxes	177.5	183.2

and interest

**Reconciling
items expense
(income):**

All Other (a)	59.7	52.6
Restructuring and other costs	20.5	10.2
Interest expense	8.4	8.6
Interest income	(1.1)	(0.6)
Other expense (income), net	(13.8)	(34.1)
Amortization of intangible assets	48.2	49.9
Depreciation resulting from the fair value step-up of property, plant and equipment from business combinations	1.8	1.8
Income before income taxes	\$ 53.8	\$ 94.8

(a) Includes the results of unassigned Corporate headquarter costs and inter-segment eliminations.

NOTE 7 – INVENTORIES

Inventories are stated at the lower of cost and net realizable value. The cost of inventories determined by the last-in, first-out (“LIFO”) method at March 31, 2019 and December 31, 2018 was \$9.6 million and \$9.0 million, respectively. The cost of remaining inventories was determined by the first-in, first-out (“FIFO”) or average cost methods. If the FIFO method had been used to determine the cost of LIFO inventories, the amounts at which net inventories are stated would be higher than reported at March 31, 2019 and December 31, 2018 by \$11.2 million and \$10.2 million, respectively.

Inventories, net of inventory valuation reserves, consist of the following:

(in millions)	March 31, 2019	December 31, 2018
Finished goods	\$ 392.5	\$ 380.0
Work-in-process	88.5	89.2
Raw materials and supplies	137.2	129.7
Inventories, net	\$ 618.2	\$ 598.9

The inventory valuation allowance was \$105.6 million and \$92.5 million at March 31, 2019 and December 31, 2018, respectively.

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NOTE 8 – LEASES

The Company leases real estate, automobiles and equipment under various operating and finance leases. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the implicit rate is not readily determinable in most of the Company's lease agreements, the Company uses its estimated secured incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Lease expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Beginning January 1, 2019, any new real estate and equipment operating lease agreements with lease and nonlease components, will be accounted for as a single lease component.

The Company determines if an arrangement is a lease or contains a lease at inception. The Company's leases have remaining lease terms of approximately 1 year to 11 years. Many of the Company's real estate and equipment leases have one or more options to renew, with terms that can extend from 1 to 3 years or more, which are not included in the initial lease term. The Company does not have lease agreements with residual value guarantees, sale-and-leaseback terms or material restrictive covenants. The Company does not have any sublease arrangements.

The net present value of finance and operating lease assets and liabilities were as follows:

(in millions, except percentages)	Location in the Consolidated Balance Sheets	March 31, 2019
Assets		
Current assets		
Finance leases	Property, plant and equipment, net	\$ 1.7
Operating leases	Operating lease right-of-use assets, net	163.9
Total right-of-use assets		\$ 165.6
Liabilities		
Current liabilities		
Finance leases	Notes payable and current portion of long-term debt	\$ 0.3
Operating leases	Accrued liabilities	41.9

Noncurrent
liabilities

Finance leases	Long-term debt	1.5
Operating leases	Operating lease liability	125.5
Total lease liabilities		\$ 169.2

Supplemental information:

Weighted-average discount rate

Finance leases	3.3 %
Operating leases	3.1 %

Weighted-average remaining
lease term in years

Finance leases	7.3
Operating leases	5.8

The lease cost recognized in the Consolidated Statements of Operations for the three months ended were as follows:

(in millions)	March 31, 2019
Finance lease cost	
Amortization of right-of-use assets	\$ 0.1
Operating lease cost	13.2
Short-term lease cost	0.1
Variable lease cost	1.9
Total lease cost	\$ 15.3

The contractual maturity dates of the remaining lease liabilities at March 31, 2019 were as follows:

(in millions)	Finance Leases	Operating Leases	Total
2019, excluding the three months ended March 31, 2019	\$ 0.2	\$ 34.9	\$ 35.1
2020	0.3	38.7	39.0
2021	0.3	29.2	29.5
2022	0.3	20.7	21.0
2023	0.2	15.3	15.5
2024 and beyond	0.8	45.4	46.2
Total lease payments	\$ 2.1	\$ 184.2	\$ 186.3
Less imputed interest	0.3	16.8	17.1
Present value of lease liabilities	\$ 1.8	\$ 167.4	\$ 169.2

The contractual maturity dates presented under prior lease accounting guidance of the remaining rental commitments at December 31, 2018 were as follows:

(in millions)	Finance Leases	Operating Leases	Total
2019	\$ 4.2	\$ 36.6	\$ 40.8
2020	4.2	28.5	32.7
2021	2.5	22.1	24.6
2022	1.8	16.4	18.2
2023	1.3	12.7	14.0
2024 and beyond	1.1	16.9	18.0
Total lease payments	\$ 15.1	\$ 133.2	\$ 148.3

The supplemental cash flow information for the three months ended were as follows:

(in millions) March 31,
2019

**Cash paid for
amounts
included in the
measurement
of lease
liabilities:**

Operating cash flows from operating leases	\$	12.6
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Financing cash flows from finance leases	0.1
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**Right-of-use
assets obtained
in exchange for
new lease
liabilities:**

Operating leases	\$	4.3
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NOTE 9 – RESTRUCTURING AND OTHER COSTS**Restructuring Costs**

During the three months ended March 31, 2019, the Company recorded net restructuring costs and other costs of \$20.5 million, which includes net restructuring costs of \$14.2 million. During the three months ended March 31, 2018, the Company recorded net restructuring costs and other cost of \$10.2 million, which includes net restructuring costs of \$7.4 million. These costs are recorded in Restructuring and other costs in the Consolidated Statements of Operations and the associated liabilities are recorded in Accrued liabilities and Other noncurrent liabilities in the Consolidated Balance Sheets.

At March 31, 2019, the Company's restructuring accruals were as follows:

(in millions)	Severance			
	2017 and Prior Plans	2018 Plans	2019 Plans	Total
Balance at December 31, 2018	\$ 26.8	\$ 16.4	\$ —	\$ 43.2
Provisions	1.0	2.0	10.2	13.2
Amounts applied	(9.2)	(4.4)	(0.8)	(14.4)
Change in estimates	(0.1)	(0.1)	—	(0.2)
Balance at March 31, 2019	\$ 18.5	\$ 13.9	\$ 9.4	\$ 41.8

(in millions)	Lease/Contract Terminations			
	2017 and Prior Plans	2018 Plans		Total
Balance at December 31, 2018	\$ 0.5	\$ 0.1		\$ 0.6
Provisions	0.2	—		0.2
Amounts applied	(0.1)	(0.1)		(0.2)
Balance at March 31, 2019	\$ 0.6	\$ —		\$ 0.6

(in millions)	Other Restructuring Costs			
	2017 and Prior Plans	2018 Plans	2019 Plans	Total
Balance at	\$ 2.0	\$ 0.4	\$ —	\$ 2.4

December 31,
2018

Provisions	0.2	0.5	0.4	1.1
Amounts applied	(0.3)	(0.2)	—	(0.5)
Change in estimate	0.2	(0.3)	—	(0.1)
Balance at March 31, 2019	\$ 2.1	\$ 0.4	\$ 0.4	\$ 2.9

The following provides the year-to-date changes in the restructuring accruals by segment:

(in millions)	December 31, 2018	Provisions	Amounts Applied	Change in Estimates	March 31, 2019
Technologies & Equipment	\$ 41.4	\$ 6.0	\$ (13.1)	\$ —	\$ 34.3
Consumables	5.1	7.6	(1.5)	(0.1)	11.1
All Other	(0.3)	0.9	(0.5)	(0.2)	(0.1)
Total	\$ 46.2	\$ 14.5	\$ (15.1)	\$ (0.3)	\$ 45.3

Other Costs

Other costs for the three months ended March 31, 2019 were \$6.3 million, including an impairment charge of \$5.3 million. The impaired indefinite-lived intangible assets were tradenames and trademarks within the Technologies & Equipment segment. Other costs for the three months ended March 31, 2018 were \$2.8 million mostly related to legal settlements.

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NOTE 10 – FINANCIAL INSTRUMENTS AND DERIVATIVES**Derivative Instruments and Hedging Activities**

The Company's activities expose it to a variety of market risks, which primarily include the risks related to the effects of changes in foreign currency exchange rates and interest rates. These financial exposures are monitored and managed by the Company as part of its overall risk management program. The objective of this risk management program is to reduce the volatility that these market risks may have on the Company's operating results and equity. The Company employs derivative financial instruments to hedge certain anticipated transactions, firm commitments, or assets and liabilities denominated in foreign currencies. Additionally, the Company utilizes interest rate swaps to convert variable rate debt to fixed rate debt.

Derivative Instruments Designated as Hedging**Cash Flow Hedges**

The following summarizes the notional amounts of cash flow hedges by derivative instrument type at March 31, 2019 and the notional amounts expected to mature during the next 12 months, with a discussion of the various cash flow hedges by derivative instrument type following the table:

(in millions)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Foreign exchange forward contracts	\$ 369.4	\$ 279.1
Interest rate swaps	263.3	113.3
Total derivative instruments designated as cash flow hedges	\$ 632.7	\$ 392.4

Foreign Exchange Risk Management

The Company uses a layered hedging program to hedge select anticipated foreign currency cash flows to reduce volatility in both cash flows and reported earnings of the consolidated Company. The Company accounts for the designated foreign exchange forward contracts as cash flow hedges. As a result, the Company records the fair value of the contracts primarily through AOCI based on the assessed effectiveness of the foreign exchange forward contracts. The Company measures the effectiveness of cash flow hedges of anticipated transactions on a spot-to-spot basis rather than on a forward-to-forward basis. Accordingly, the spot-to-spot change in the derivative fair value will be deferred in AOCI and released and recorded in the Consolidated Statements of Operations in the same period that the hedged transaction is recorded. The time value component of the fair value of the derivative is reported on a straight line basis in Cost of products sold in the Consolidated Statements of Operations in the period which it is applicable. Any cash

flows associated with these instruments are included in operating activities in the Consolidated Statements of Cash Flows. The Company hedges various currencies, with the most significant activity occurring in euros, Swedish kronor, Canadian dollars, British pounds, Swiss francs and Australian dollars.

Interest Rate Risk Management

The Company uses interest rate swaps to convert a portion of its variable interest rate debt to fixed interest rate debt. At March 31, 2019, the Company has one significant exposure hedged with interest rate contracts. The exposure is hedged with derivative contracts having notional amounts totaling 12.6 billion Japanese yen, which effectively converts the underlying variable interest rate debt facility to a fixed interest rate of 0.9% for an initial term of five years ending September 2019. On March 11, 2019, the Company entered into a Treasury Rate Lock ("T-Lock") transaction to hedge the base interest rate variability exposure on a planned \$150 million ten year debt issuance in 2021. The T-Lock is designated as a cash flow hedge of interest rate risk. The T-Lock will be cash settled when the debt is issued, with the fair value of the T-Lock recognized as an asset or liability with an offsetting position in AOCI. As interest is accrued on this debt in the future, a pro-rata amount from AOCI will be released and recorded in Other expense (income) in the Consolidated Statements of Operations.

The Company enters into interest rate swap contracts infrequently as they are only used to manage interest rate risk on long-term debt instruments and not for speculative purposes. Any cash flows associated with these instruments are included in operating activities in the Consolidated Statements of Cash Flows.

Cash Flow Hedge Activity

Gains (losses) recorded in AOCI in the Consolidated Balance Sheets and Cost of products sold in the Company's Consolidated Statements of Operations related to all cash flow hedges for the three months ended March 31, 2019 and 2018 were insignificant.

For the rollforward of derivative instruments designated as cash flow hedges in AOCI see Note 3, Comprehensive Income.

Hedges of Net Investments in Foreign Operations

The Company has significant investments in foreign subsidiaries the most significant of which are denominated in euros, Swiss francs, Japanese yen and Swedish kronor. The net assets of these subsidiaries are exposed to volatility in currency exchange rates. The Company employs both derivative and non-derivative financial instruments to hedge a portion of this exposure. The derivative instruments consist of foreign exchange forward contracts and cross currency basis swaps. The non-derivative instruments consist of foreign currency denominated debt held at the parent company level. Translation gains and losses related to the net assets of the foreign subsidiaries are offset by gains and losses in derivative and non-derivative financial instruments designated as hedges of net investments, which are included in AOCI. Any cash flows associated with these instruments are included in investing activities in the Consolidated Statements of Cash Flows except for derivative instruments that include an other-than-insignificant financing element, for which all cash flows are classified as financing activities in the Consolidated Statements of Cash Flows.

During the three months ended March 31, 2019, the Company early terminated its existing 245.6 million euro cross currency basis swap and entered into a new 263.4 million euro cross currency basis swap maturing in August 2021. The cross currency basis swap is designated as a hedge of net investments. This contract effectively converts the \$295.7 million bond coupon from 4.1% to 1.2%, which will result in a net reduction of interest expense through maturity in 2021. The early termination resulted in a cash receipt of \$17.4 million.

The following summarizes the notional amount of hedges of net investments by derivative instrument at March 31, 2019 and the notional amounts expected to mature during the next 12 months:

(in millions)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Foreign exchange forward contracts	\$ 765.5	\$ 255.2
Cross currency basis swaps	295.5	—
Total for instruments not designated as hedges	\$ 1,061.0	\$ 255.2

The following summarizes the amount of gains (losses) recorded in AOCI in the Consolidated Balance Sheets and Other expense (income), net in the Company's Consolidated Statements of Operations related to the hedges of net investments for the three months ended March 31, 2019 and 2018:

March 31, 2019

(in millions)	Gain in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
Effective Portion:			
Cross currency basis swaps	\$ 3.1	Interest expense	\$ 2.0
Foreign exchange forward contracts	15.5	Other expense (income), net	3.5
Total for net investment hedging	\$ 18.6		\$ 5.5

March 31, 2018			
(in millions)	Loss in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
Effective Portion:			
Cross currency basis swaps	\$ (6.4)	Interest expense	\$ 1.7
		Other expense (income), net	(6.6)
Foreign exchange forward contracts	(11.5)	Other expense (income), net	1.5
Total for net investment hedging	\$ (17.9)		\$ (3.4)

Derivative Instruments Not Designated as Hedges

The Company enters into derivative instruments with the intent to partially mitigate the foreign exchange revaluation risk associated with recorded assets and liabilities that are denominated in a non-functional currency. The gains and losses on these derivative transactions offset the gains and losses generated by the revaluation of the underlying non-functional currency balances and are recorded in Other expense (income), net in the Consolidated Statements of Operations. The Company primarily uses foreign exchange forward contracts to hedge these risks. Any cash flows associated with the foreign exchange forward contracts and interest rate swaps not designated as hedges are included in cash from operating activities in the Consolidated Statements of Cash Flows.

The following summarizes the aggregate notional amounts of the Company's economic hedges not designated as hedges by derivative instrument types at March 31, 2019 and the notional amounts expected to mature during the next 12 months:

(in millions)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Foreign exchange forward contracts	\$ 410.9	\$ 270.4
Total for instruments not designated as hedges	\$ 410.9	\$ 270.4

Gains (losses) recorded in the Company's Consolidated Statements of Operations related to the economic hedges not designated as hedging for the three months ended March 31, 2019 and 2018 were insignificant.

Balance Sheet Offsetting

Substantially all of the Company's derivative contracts are subject to netting arrangements, whereby the right to offset occurs in the event of default or termination in accordance with the terms of the arrangements with the counterparty. While these contracts contain the enforceable right to offset through netting arrangements with the same counterparty, the Company elects to present them on a gross basis in the Consolidated Balance Sheets.

Offsetting of financial liabilities under netting arrangements at March 31, 2019 were insignificant. Offsetting of financial assets under netting arrangements at March 31, 2019 were as follows:

(in millions)	Gross Amounts Recognized		Gross Amount Offset in the Consolidated Balance Sheets		Net Amounts Presented in the Consolidated Balance Sheets		Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount			
							Financial Instruments	Cash Collateral Received/Pledged				
Assets												
Foreign exchange forward contracts	\$	45.2	\$	—	\$	45.2	\$	(8.1)	\$	—	\$	37.1
Cross currency basis swaps	1.0		—		1.0		(0.4)		—		0.6	
Total Assets	\$	46.2	\$	—	\$	46.2	\$	(8.5)	\$	—	\$	37.7

Offsetting of financial liabilities under netting arrangements at December 31, 2018 were insignificant. Offsetting of financial assets under netting arrangements at December 31, 2018 were as follows:

(in millions)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			Net Amount
				Financial Instruments	Cash Collateral Received/Pledged		
Assets							
Foreign exchange forward contracts	\$ 33.7	\$ —	\$ 33.7	\$ (1.8)	\$ —	\$ 31.9	
Cross currency basis	11.6	—	11.6	(1.6)	—	10.0	

swaps

Total Assets	\$	45.3	\$	—	\$	45.3	\$	(3.4)	\$	—	\$	41.9
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NOTE 11 – FAIR VALUE MEASUREMENT

The Company records financial instruments at fair value with unrealized gains and losses related to certain financial instruments reflected in AOCI in the Consolidated Balance Sheets. In addition, the Company recognizes certain liabilities at fair value. The Company applies the market approach for recurring fair value measurements. Accordingly, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities that are recorded at fair value as of the balance sheet date are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company believes the carrying amounts of cash and cash equivalents, accounts receivable (net of allowance for doubtful accounts), prepaid expenses and other current assets, accounts payable, accrued liabilities, income taxes payable and notes payable approximate fair value due to the short-term nature of these instruments. The Company estimated the fair value using Level 1 inputs and carrying value of total long-term debt, including the current portion, was \$1,569.7 million and \$1,565.8 million, respectively at March 31, 2019. At December 31, 2018, the Company estimated the fair value and carrying value of total long-term debt, including the current portion, was \$1,577.1 million and \$1,575.5 million, respectively. The variable interest rate on the Japanese yen term loan is consistent with current market conditions, therefore the fair value approximates the loan's carrying value.

The following set forth by level within the fair value hierarchy the Company's financial assets that were accounted for at fair value on a recurring basis at March 31, 2019 and both assets and liabilities at December 31, 2018:

	March 31, 2019			
(in millions)	Total	Level 1	Level 2	Level 3
Assets				
Cross currency basis swaps	\$ 1.0	\$ —	\$ 1.0	\$ —
Foreign exchange forward contracts	46.0	—	46.0	—
Total assets	\$ 47.0	\$ —	\$ 47.0	\$ —
Liabilities				
Interest rate swaps	\$ 3.5	\$ —	\$ 3.5	\$ —
Foreign exchange forward contracts	5.8	—	5.8	—
Contingent considerations on acquisitions	9.1	—	—	9.1
Total liabilities	\$ 18.4	\$ —	\$ 9.3	\$ 9.1

(in millions)	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Assets				
Cross currency basis swaps	\$ 11.6	\$ —	\$ 11.6	\$ —
Foreign exchange forward contracts	33.7	—	33.7	—
Total assets	\$ 45.3	\$ —	\$ 45.3	\$ —
Liabilities				
Interest rate swaps	\$ 0.2	\$ —	\$ 0.2	\$ —
Foreign exchange forward contracts	3.2	—	3.2	—
Contingent considerations on acquisitions	9.1	—	—	9.1
Total liabilities	\$ 12.5	\$ —	\$ 3.4	\$ 9.1

There have been no transfers between levels during the three months ended March 31, 2019.

Derivative valuations are based on observable inputs to the valuation model including interest rates, foreign currency exchange rates and credit risks. The Company utilizes interest rate swaps and foreign exchange forward contracts that are considered cash flow hedges. In addition, the Company at times employs forward exchange contracts that are considered hedges of net investment in foreign operations. Designated derivative instruments are further discussed in Note 10, Financial Instruments and Derivatives.

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NOTE 12 – INCOME TAXES

Uncertainties in Income Taxes

The Company recognizes in the interim consolidated financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

It is reasonably possible that certain amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date of the Company's interim consolidated financial statements. Final settlement and resolution of outstanding tax matters in various jurisdictions during the next twelve months are not expected to be significant.

Other Tax Matters

During the three months ended March 31, 2019, the Company recorded \$2.4 million of tax expense for discrete tax matters. The Company also recorded a \$1.5 million tax benefit related to the indefinite-lived intangible asset impairment charge recorded during the quarter.

During the quarter ended March 31, 2018, the Company recorded the following discrete tax items, \$2.2 million of excess tax benefit related to employee share-based compensation, tax expense of \$1.2 million million related to valuation allowances, \$0.2 million of tax expense related to enacted statutory rate changes, \$7.2 million of tax expense for other discrete tax matters and \$3.4 million million tax benefit related to U.S. tax reform. The Company also recorded \$1.1 million of tax expense as a discrete item related to the gain on sale of marketable securities.

NOTE 13 – FINANCING ARRANGEMENTS

At March 31, 2019 and December 31, 2018, there were no outstanding borrowings under the current \$700.0 million multi currency revolving credit facility. The Company had no outstanding borrowings under the commercial paper facility at March 31, 2019 and \$67.8 million outstanding under the commercial paper facility at December 31, 2018. The multi-currency revolving credit facility serves as a back-stop facility for the Company's \$500.0 million commercial paper program.

At March 31, 2019, the Company had \$719.9 million of borrowing available under lines of credit, including lines available under its short-term arrangements and revolving credit agreement.

The Company's revolving credit facility, term loans and Senior Notes contain certain affirmative and negative covenants relating to the Company's operations and financial condition. At March 31, 2019, the Company was in compliance with all debt covenants.

On March 11, 2019, the Company entered into a T-Lock which expires on September 30, 2021, to hedge the base interest rate variability exposure on a planned ten-year debt issuance in 2021. The T-Lock is designated as a cash flow hedge of interest rate risk fixing the base rate at 2.84% on a notional amount of \$150 million. The T-Lock will be cash settled when the debt is issued, with the fair value of the T-Lock recognized as an asset or liability with an offsetting position in AOCI. As interest is accrued on this debt, a pro-rata amount from AOCI will be released and recorded in Other expense (income), net in the Consolidated Statements of Operation.

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NOTE 14 – GOODWILL AND INTANGIBLE ASSETS

A reconciliation of changes in the Company's goodwill by reportable segment is as follows (the segment information below reflects the current structure for all periods shown):

(in millions)	Technologies & Equipment	Consumables	Total
Balance at December 31, 2018	\$ 2,579.8	\$ 851.5	\$ 3,431.3
Business unit transfers	(37.1)	37.1	—
Effects of exchange rate changes	13.3	(45.4)	(32.1)
Balance at March 31, 2019	\$ 2,556.0	\$ 843.2	\$ 3,399.2

During the three months ended March 31, 2019, the Company transferred goodwill between segments due to changes in the reporting units as a result of the realignment of certain businesses between segments. Affected reporting units were tested for potential impairment of goodwill before the transfers. No goodwill impairment was identified.

The following provides the gross carrying amount of goodwill and the cumulative goodwill impairment:

	March 31, 2019			December 31, 2018		
(in millions)	Gross Carrying Amount	Cumulative Impairment	Net Carrying Amount	Gross Carrying Amount	Cumulative Impairment	Net Carrying Amount
Technologies & Equipment	\$ 5,292.6	\$ (2,736.6)	\$ 2,556.0	\$ 5,247.9	\$ (2,668.1)	\$ 2,579.8
Consumables	\$ 843.2	—	\$ 843.2	\$ 920.0	\$ (68.5)	\$ 851.5
Total effect of cumulative impairment	\$ 6,135.8	\$ (2,736.6)	\$ 3,399.2	\$ 6,167.9	\$ (2,736.6)	\$ 3,431.3

Identifiable definite-lived and indefinite-lived intangible assets consist of the following:

	March 31, 2019			December 31, 2018		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount

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Patents	\$ 1,351.9	\$ (428.0)	\$ 923.9	\$ 1,376.4	\$ (407.1)	\$ 969.3
Tradenames and trademarks	79.1	(61.9)	17.2	81.1	(62.5)	18.6
Licensing agreements	35.9	(26.6)	9.3	36.1	(26.3)	9.8
Customer relationships	1,072.2	(348.0)	724.2	1,085.3	(334.4)	750.9
Total definite-lived	\$ 2,539.1	\$ (864.5)	\$ 1,674.6	\$ 2,578.9	\$ (830.3)	\$ 1,748.6
Indefinite-lived tradenames and trademarks	\$ 650.1	\$ —	\$ 650.1	\$ 671.7	\$ —	\$ 671.7
Total identifiable intangible assets	\$ 3,189.2	\$ (864.5)	\$ 2,324.7	\$ 3,250.6	\$ (830.3)	\$ 2,420.3

During the three months ended March 31, 2019, the Company impaired \$5.3 million of product tradenames and trademarks within the Technologies & Equipment segment. The impairment was the result of a change in forecasted sales related to divestitures of non-strategic product lines.

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NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation

The SEC's Division of Enforcement has asked the Company to provide documents and information concerning the Company's accounting and disclosures. The Company is cooperating with the SEC's investigation. The Company is unable to predict the ultimate outcome of this matter, or whether it will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

On January 11, 2018, Tom Redlich, a former employee, filed a lawsuit against the Company, demanding supplemental compensation pursuant to an agreement allegedly entered into with Sirona Dental GmbH which was intended to entice Mr. Redlich to continue to work for the company for no less than eight years following the date of this agreement. The Company filed its response on April 4, 2018, denying the authenticity and enforceability of, and all liability under, the alleged agreement. The court held an initial hearing on the matter on April 11, 2018. Mr. Redlich filed his reply on July 9, 2018. The Company filed its response to that reply on August 23, 2018, refuting the allegations in Mr. Redlich's reply and continuing to deny liability under the alleged agreement. Following that, Mr. Jost Fischer, upon invitation of the Company, joined the litigation against Mr. Redlich as a third party. The court held a hearing on August 30, 2018 where the parties outlined their respective legal positions. In late November 2018, Mr. Fischer filed a statement to the court in which he disputed the central allegations raised by Mr. Redlich in his lawsuit and his supplemental submissions to the court. Based on Mr. Fischer's statement, the Company filed a further written statement to the court, therein insisting on its previous legal position and presenting new factual submissions and evidence. In response, Mr. Redlich filed a written statement rejecting the positions of Mr. Fischer and the Company. In late January 2019 the court held hearings in which Mr. Redlich and a number of witnesses provided oral testimony to the court. In early April 2019, the court held a hearing, receiving additional testimony and the court plans to conduct a further hearing in the matter on May 29, 2019. The Company continues to defend against this claim vigorously.

On January 25, 2018, Futuredontics, Inc. received service of a purported class action lawsuit brought by Henry Olivares and other similarly situated individuals in the Superior Court of the State of California for the County of Los Angeles. In January 2019, an amended complaint was filed adding another named plaintiff, Rachael Clarke, and various claims. The plaintiff class alleges several violations of the California wage and hours laws, including, but not limited to, failure to provide rest and meal breaks and the failure to pay overtime. The parties have engaged in written and other discovery. On February 5, 2019, Plaintiff Caletia Holt (represented by the same counsel as Mr. Olivares and Ms. Clarke) filed a separate representative action in Los Angeles Superior Court alleging a single violation of the Private Attorneys' General Act that is based on the same underlying claims as the Olivares/Clarke lawsuit. The Company has not yet been served in connection with this action. On April 5, 2019, Plaintiff Kendra Cato filed a similar action in Los Angeles Superior Court alleging a single violation of the Private Attorneys' General Act that is based on the same underlying claims as the Olivares/Clarke lawsuit. The Company has been served with the Cato complaint. The Company continues to vigorously defend against these matters.

On June 7, 2018, and August 9, 2018, John Castronovo and Irving Golombeck, respectively, filed substantially identical putative class action suits in the Supreme Court of the State of New York, County of New York claiming that the Company, certain of its present and former officers and directors, and former officers and directors of Sirona violated U.S. securities laws (together, the "State Court Class Action"). The plaintiffs allege that the registration statement/joint proxy statement filed with the SEC on December 4, 2015 (the "Registration Statement") in connection with the Merger contained material misrepresentations and omitted required information by failing to disclose, among other things, that a distributor had allegedly purchased excessive inventory of legacy Sirona products and that three distributors of the Company's and Sirona's products and equipment had allegedly been engaging in anticompetitive conduct. The plaintiffs assert these claims on behalf of a putative class of former shareholders of Sirona who exchanged their shares of Sirona stock for shares of the Company's stock in the Merger. On September 19, 2018, the

Court consolidated the two actions.

On October 9, 2018, defendants filed a motion to stay discovery pending determination of their motion to dismiss. Plaintiffs filed an amended complaint on November 2, 2018 and defendants moved to dismiss the amended complaint on December 17, 2018. Oral argument on the motion to stay discovery took place on January 2, 2019. Plaintiffs filed their opposition to the motion to dismiss on January 31, 2019, and defendants' reply in further support was filed on March 1, 2019.

On December 19, 2018, Boynton Beach Employees' Pension Plan filed a putative class action in the U.S. District Court for the Eastern District of New York, alleging that the Company, certain of its present and former officers and directors, and former officers and directors of Sirona violated U.S. securities laws (the "Federal Class Action"). The plaintiff alleges the same claims as those asserted in the State Court Class Action, relating to the alleged material misrepresentations and omissions of required information in the Registration Statement. In addition, the plaintiff alleges that the defendants made false and misleading

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statements in quarterly and annual reports and other public statements between February 20, 2014, and August 7, 2018. The plaintiff asserts claims on behalf of a putative class consisting of (a) all purchasers of the Company's stock during the period February 20, 2014 through August 7, 2018, (b) former shareholders of Sirona who exchanged their shares of Sirona stock for shares of the Company's stock in the Merger, and (c) holders of the Company's shares who held shares as of the record date of December 2, 2015 and were entitled to vote with respect to the Merger. Motions for appointment of lead plaintiff and lead counsel were filed on February 19, 2019.

On April 29, 2019, John Behrmann and Nancy Behrmann, purported stockholders of the Company, filed a derivative action on behalf of the Company in the District of Delaware against the Company's Directors. Specifically, Plaintiffs allege that the Directors breached their fiduciary duties by causing the Company to improperly misrepresent the business prospects of the Company, including regarding the existence of an alleged antitrust scheme between the Company and three of its distributors. Plaintiffs also claim that the Directors' misconduct has subjected the Company to multiple securities class actions and other litigation. Based on the same set of factual allegations, Plaintiffs assert additional claims against the directors for unjust enrichment, gross mismanagement, waste of corporate assets, and violations of sections 10(b) and 14(a) of the Exchange Act and SEC Rules 10b-5 and 14a-9. Plaintiffs are seeking monetary damages and various corporate governance reforms.

On January 25, 2019, defendants moved to stay all proceedings in the State Court Class Action pending final disposition of the Federal Class Action and on March 27, 2019, the court held a hearing on the motion to stay and the motion to dismiss. The Company intends to defend itself vigorously in these actions.

As a result of an audit by the IRS for fiscal years 2012 through 2013, on February 11, 2019, the IRS issued to the Company a "30-day letter" and a Revenue Agent's Report ("RAR"), relating to the Company's worthless stock deduction in 2013 in the amount of \$546.0 million. The RAR disallows the deduction and, after adjusting the Company's net operating loss carryforward, asserts that the Company is entitled to a refund of \$4.7 million for 2012, has no tax liability for 2013, and owes a deficiency of \$17.1 million in tax for 2014, excluding interest. In accordance with ASC 740, the Company recorded the tax benefit associated with the worthless stock deduction in the Company's 2012 financial statements. The Company will submit a formal protest disputing on multiple grounds the proposed taxes.

The Company believes the IRS position is without merit and believes that it is more likely-than-not that the Company's position will be sustained upon further review. The Company has not accrued a liability relating to the proposed tax adjustments. However, the outcome of this dispute involves a number of uncertainties, including those inherent in the valuation of various assets at the time of the worthless stock deduction, and those relating to the application of the Internal Revenue Code and other federal income tax authorities and judicial precedent. Accordingly, there can be no assurance that the dispute with the IRS will be resolved favorably. If determined adversely, the dispute would result in a current period charge to earnings and could have a material adverse effect in the consolidated results of operations, financial position and liquidity of the Company.

The Swedish Tax Agency has disallowed certain of the Company's interest expense deductions for the tax years from 2013 to 2017 and is also expected to do the same for the 2018 tax year. If such interest expense deductions were disallowed, the Company would be subject to an additional \$41.0 million in tax expense. The Company has appealed the disallowance to the Swedish administrative court. With respect to such deductions taken in the tax years from 2013 to 2014, the court ruled against the Company on July 5, 2017. On August 7, 2017, the Company appealed the unfavorable decision of the Swedish administrative court. On November 5, 2018, the Company delivered its final argument to the administrative court of appeal at a hearing. The European Union Commission has taken the view that Sweden's interest deduction limitation rules are incompatible with European Union law and supporting legal opinions, and therefore the Company has not paid the tax or made provision in its financial statements for such potential expense. The Company intends to vigorously defend its position and pursue related appeals.

In addition to the matters disclosed above, the Company is, from time to time, subject to a variety of litigation and similar proceedings incidental to its business. These legal matters primarily involve claims for damages arising out of the use of the Company's products and services and claims relating to intellectual property matters including patent infringement, employment matters, tax matters, commercial disputes, competition and sales and trading practices, personal injury and insurance coverage. The Company may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, divested businesses. Some of these lawsuits may include claims for punitive and consequential, as well as compensatory damages. Based upon the Company's experience, current information and applicable law, it does not believe that these proceedings and claims will have a material adverse effect on its consolidated results of operations, financial position or liquidity. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations or liquidity.

While the Company maintains general, product, property, workers' compensation, automobile, cargo, aviation, crime, fiduciary and directors' and officers' liability insurance up to certain limits that cover certain of these claims, this insurance may be insufficient or unavailable to cover such losses. In addition, while the Company believes it is entitled to indemnification from third parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses.

Purchase Commitments

From time to time, the Company enters into long-term inventory purchase commitments with minimum purchase requirements for raw materials and finished goods to ensure the availability of products for production and distribution. These commitments may have a significant impact on levels of inventory maintained by the Company.

DENTSPLY SIRONA Inc. and Subsidiaries

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

Information included in or incorporated by reference in this Form 10-Q, and other filings with the U. S. Securities and Exchange Commission (the “SEC”) and the Company’s press releases or other public statements, contains or may contain forward-looking statements. Please refer to a discussion of the Company’s forward-looking statements and associated risks in Part I, “Forward-Looking Statements” and Part I, Item 1. “Business” of the Company’s Form 10-K for the year ended December 31, 2018.

OVERVIEW

Highlights

- For the three months ended March 31, 2019, net sales decreased 1.0% compared to the three months ended March 31, 2018. On a constant currency basis sales increased 3.6% compared to the three months ended March 31, 2018.
- For the three months ended March 31, 2019, the Company generated earnings per diluted common share of \$0.17 compared to earnings per diluted common share of \$0.35 for the three months ended March 31, 2018. Adjusted earnings per diluted common share (a non-US GAAP measure as reconciled under net income attributable to Dentsply Sirona below) for the three months ended March 31, 2019 was \$0.49 compared to \$0.45 earnings per diluted common share for the three months ended March 31, 2018.
- Cash flow from operations for the first three months of 2019 was \$29.3 million, as compared to \$55.1 million in the first three months of 2018.

Company Profile

Dentsply Sirona is the world’s largest manufacturer of professional dental products and technologies, with over a century of innovation and service to the dental industry and patients worldwide. Dentsply Sirona develops, manufactures, and markets a comprehensive solutions offering including dental and oral health products as well as other consumable medical devices under a strong portfolio of world class brands. As The Dental Solutions Company, Dentsply Sirona’s products provide innovative, high-quality and effective solutions to advance patient care and deliver better, safer and faster dentistry. Dentsply Sirona’s global headquarters is located in York, Pennsylvania. The Company’s shares are listed in the United States on Nasdaq under the symbol XRAY.

BUSINESS

The Company operates in two business segments:

The Technologies & Equipment segment is responsible for the worldwide design, manufacture, sales and distribution of the Company’s Dental Technology and Equipment Products and Healthcare Consumable Products. These products include dental implants, CAD/CAM systems, orthodontic dental products, imaging systems, treatment centers, instruments as well as consumable medical device products.

The Consumables segment is responsible for the worldwide design, manufacture, sales and distribution of the Company’s Dental Consumable Products which include preventive, restorative, endodontic and laboratory dental products.

Principal Measurements

The principal measurements used by the Company in evaluating its business are: (1) constant currency sales growth by segment and geographic region; (2) internal sales growth by segment and geographic region; and (3) adjusted operating income and margins of each reportable segment, which excludes the impacts of purchase accounting, corporate expenses, and certain other items to enhance the comparability of results period to period. These principal measurements are not calculated in accordance with accounting principles generally accepted in the United States; therefore, these items represent non-US GAAP measures. These non-US GAAP measures may differ from other companies and should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

The Company defines “constant currency” sales growth as the increase or decrease in net sales from period to period excluding precious metal content and the impact of changes in foreign currency exchange rates. This impact is calculated by comparing current-period revenues to prior-period revenues, with both periods converted at the U.S. dollar to local currency foreign exchange rate for each month of the prior period, for the currencies in which the Company does business. The Company defines “internal” sales growth as constant currency sales growth excluding the impacts of net acquisitions and divestitures and discontinued products.

Business Drivers

The primary drivers of internal growth include macroeconomic factors, global dental market growth, innovation and new product launches by the Company, as well as continued investments in sales and marketing resources, including clinical education. Management believes that the Company’s ability to execute its strategies should allow it to grow faster than the underlying dental market over time. On a short-term basis, changes in strategy or distributor inventory levels can impact the Company’s internal growth.

The Company has a focus on maximizing operational efficiencies on a global basis. The Company has expanded the use of technology as well as process improvement initiatives to enhance global efficiency. In addition, management continues to evaluate the consolidation of operations and functions, as part of integration activities, to further reduce costs. While the Company continues implementing integration related activities, which can have an adverse impact on reported results, the Company expects that the continued benefits from these global efficiency and integration initiatives will improve its cost structure.

In connection with these initiatives, the Board of Directors of the Company approved a plan to restructure the Company’s business to support revenue growth and margin expansion and to simplify the organization, with the understanding that such restructuring plan may continue to evolve as the Company progresses through the continued planning and execution of the plan. The plan includes a restructuring of the business through streamlining the organization and consolidating functions. The restructuring plan anticipates a net reduction in the Company’s global workforce of approximately 6% to 8%, and the Company will consult with employee representation in connection with the execution of the restructuring plan where required. The Company's goal is that the restructuring will result in annualized topline growth of 3% to 4%, an adjusted operating income margin of 20% by the end of the year 2020, an adjusted operating income margin of 22% by the year 2022 and \$200 million to \$225 million in net annual cost savings by 2021. The Company expects to incur approximately \$275 million in one-time expenditures and charges. There can be no assurance that the cost reductions and results will be achieved.

As part of this restructuring plan, the Company is creating more meaningful solutions for dentists built around innovative products and differentiated clinical education. In order to achieve this goal, the Company introduced five key operating principles:

•*Approach customers as one:* Put the customer at the center of how Dentsply Sirona is organized. The Company is creating one integrated approach to customer service, direct and indirect selling, and clinical education to strengthen the relationship with the customer and better serve the customers' needs.

•*Assume greater responsibility for Dentsply Sirona's demand creation:* To better support dealer partners and end-user customers, the Company launched a sales force effectiveness program, with a view to improving returns on sales and marketing investments.

•*Ensure that innovation is substantial and supported:* Create a comprehensive R&D program that prioritizes spending across the entire Company portfolio resulting in more impactful innovations each year.

- Lead in clinical education:* Dentsply Sirona is investing to further its leadership position through local training events and enhancing online training presence to strengthen the relationship with the dental professionals.

- Take advantage of scale:* The Company is focused on integrating its dental product portfolios to unlock operational efficiencies, including performance improvements in procurement, logistics, manufacturing, sales force and marketing programs. In addition, Dentsply Sirona is taking significant measures to simplify the business. In combination, these initiatives will improve organizational efficiency and better leverage the Company's selling, general and administrative infrastructure.

Product innovation is a key component of the Company's overall growth strategy. New advances in technology are anticipated to have a significant influence on future products in the dentistry and consumable medical device markets in which the Company operates. As a result, the Company continues to pursue research and development initiatives to support technological development, including collaborations with various research institutions and dental schools. In addition, the Company licenses and purchases technologies developed by third parties. Although the Company believes these activities will lead to new innovative dental, healthcare consumable and dental technology products, they involve new technologies and there can be no assurance that commercialized products will be developed.

The Company will continue to pursue opportunities to expand the Company's product offerings, technologies and sales and service infrastructure through partnerships and acquisitions. Although the professional dental and the consumable medical device markets in which the Company operates have experienced consolidation, they remain fragmented. Management believes that there will continue to be adequate opportunities to participate as a consolidator in the industry for the foreseeable future.

The Company's business is subject to quarterly fluctuations of consolidated net sales and net income. Price increases, promotional activities as well as changes in inventory levels at distributors contribute to this fluctuation. The Company typically implements most of its price increases in October or January of a given year across most of its businesses. Distributor inventory levels tend to increase in the period leading up to a price increase and decline in the period following the implementation of a price increase. Required minimum purchase commitments under agreements with key distributors may increase inventory levels in excess of retail demand. These net inventory changes have impacted the Company's consolidated net sales and net income in the past, and may continue to do so in the future, over a given period or multiple periods. In addition, the Company may from time to time, engage in new distributor relationships that could cause quarterly fluctuations of consolidated net sales and net income. Distributor inventory levels may fluctuate, and may differ from the Company's predictions, resulting in the Company's projections of future results being different than expected. There can be no assurance that the Company's dealers and customers will maintain levels of inventory in accordance with the Company's predictions or past history, or that the timing of customers' inventory build or liquidation will be in accordance with the Company's predictions or past history. Any of these fluctuations could be material to the Company's consolidated financial statements.

Impact of Foreign Currencies and Interest Rates

Due to the Company's significant international presence, movements in foreign exchange and interest rates may impact the Consolidated Statements of Operations. With approximately two-thirds of the Company's net sales located in regions outside the United States, the Company's consolidated net sales are impacted negatively by the strengthening or positively impacted by the weakening of the U.S. dollar. Additionally, movements in certain foreign exchange rates may unfavorably or favorably impact the Company's results of operations, financial condition and liquidity as a number of the Company's manufacturing and distribution operations are located outside of the U.S.

Reclassification of Prior Year Amounts

During the three months ended March 31, 2019, certain reclassifications have been made to prior year's data in order to conform to current year presentation. Specifically, during the three months ended March 31, 2019, the Company's laboratory dental business moved into the Consumables segment as the products sold from this business are typically made on a recurring basis and have similar sales and operating characteristics as the other businesses in this segment. The Company moved the orthodontics business into the Technologies & Equipment segment to take advantage of the synergies related to digital planning and treatment within this segment. The Company also moved the instruments business into the Technologies & Equipment segment in order to take advantage of the synergies that stem from pairing equipment with instruments, which are often sold in conjunction with each other. The segment information reflects the revised structure for all periods shown.

RESULTS OF OPERATIONS, QUARTER ENDED MARCH 31, 2019 COMPARED TO QUARTER ENDED MARCH 31, 2018

Net Sales

The discussion below summarizes the Company's sales growth which excludes precious metal content, into the following components: (1) constant currency sales growth, which includes internal sales growth and net acquisition sales growth, and (2) foreign currency impacts. These disclosures of net sales growth provide the reader with sales results on a comparable basis between periods.

Management believes that the presentation of net sales, excluding precious metal content, provides useful information to investors because a portion of Dentsply Sirona's net sales is comprised of sales of precious metals generated through sales of the Company's precious metal dental alloy products, which are used by third parties to construct crown and bridge materials. Due to the fluctuations of precious metal prices and because the cost of the precious metal content of the Company's sales is largely passed through to customers and has minimal effect on earnings, Dentsply Sirona reports net sales both with and without precious metal content to show the Company's performance independent of precious metal price volatility and to enhance comparability of performance between periods. The Company uses its cost of precious metal purchased as a proxy for the precious metal content of sales, as the precious metal content of sales is not separately tracked and invoiced to customers. The Company believes that it is reasonable to use the cost of precious metal content purchased in this manner since precious metal dental alloy sale prices are typically adjusted when the prices of underlying precious metals change.

The presentation of net sales, excluding precious metal content, is considered a measure not calculated in accordance with US GAAP, and is therefore considered a non-US GAAP measure. The Company provides the following reconciliation of net sales to net sales, excluding precious metal content. The Company's definitions and calculations of net sales, excluding precious metal content, and other operating measures derived using net sales, excluding precious metal content, may not necessarily be the same as those used by other companies.

	Three Months Ended			
	March 31,			
(in millions)	2019	2018	\$ Change	% Change
Net sales	\$ 946.2	\$ 956.1	\$ (9.9)	(1.0%)
Less:				
precious metal content of sales	11.2	10.3	0.9	8.7%
Net sales, excluding precious metal content	\$ 935.0	\$ 945.8	\$ (10.8)	(1.1%)

Reported net sales, for the three months ended March 31, 2019 were \$946.2 million, a decrease of \$9.9 million from the three months ended March 31, 2018. Net sales, excluding precious metal content, for the three months ended March 31, 2019 were \$935.0 million, a decrease of \$10.8 million from the three months ended March 31, 2018. Based on the Company's estimate, inventory held by certain distributors decreased by approximately \$8 million during the three months ended March 31, 2018. Net sales, excluding precious metal content, were negatively impacted by

approximately 4.7% due to the strengthening of the U.S. dollar as compared to the prior year period

For the three months ended March 31, 2019, net sales, excluding precious metal content, increased 3.6% on a constant currency basis. This includes a benefit of 60 basis points from acquisitions and an unfavorable impact from discontinued products of 90 basis points, which results in internal sales growth of 3.9%. The internal sales growth was attributable to the Technologies & Equipment segment.

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Sales Growth by Region

Net sales, excluding precious metal content, by geographic region is as follows:

(in millions)	Three Months Ended March 31,		\$ Change	% Change
	2019	2018		
United States	\$ 311.9	\$ 290.5	\$ 21.4	7.4%
Europe	386.9	417.4	(30.5)	(7.3%)
Rest of World	236.2	237.9	(1.7)	(0.7%)

A reconciliation of reported net sales to non-US GAAP net sales, excluding precious metal content, by geographic region is as follows:

(in millions)	Three Months Ended March 31, 2019			
	United States	Europe	Rest of World	Total
Net sales	\$ 313.4	\$ 395.8	\$ 237.0	\$ 946.2
Less: precious metal content of sales	1.5	8.9	0.8	11.2
Net sales, excluding precious metal content	\$ 311.9	\$ 386.9	\$ 236.2	\$ 935.0

(in millions)	Three Months Ended March 31, 2018			
	United States	Europe	Rest of World	Total
Net sales	\$ 291.8	\$ 425.5	\$ 238.8	\$ 956.1
Less: precious metal content of sales	1.3	8.1	0.9	10.3

Net sales, excluding precious metal content	\$ 290.5	\$ 417.4	\$ 237.9	\$ 945.8
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United States

Reported net sales increased by 7.4% in the quarter ended March 31, 2019 as compared to the quarter ended March 31, 2018. Net sales, excluding precious metal content, increased by 7.4% during the first quarter of 2019 as compared to the first quarter of 2018. During the three months ended March 31, 2019, Consumables sales were negatively impacted by one less selling day as compared to the three months ended March 31, 2018. Based on the Company's estimate, inventory held by certain distributors decreased by approximately \$6 million during the three months ended March 31, 2018.

For the three month period ended March 31, 2019, net sales, excluding precious metal content, increased 7.5% on a constant currency basis. This includes a benefit of 1.5% from acquisitions and an unfavorable impact from discontinued products of 40 basis points, which results in internal sales growth of 6.4%. The internal sales growth was attributable to the Technologies & Equipment segment.

Europe

Reported net sales decreased by 7.0% during the quarter ended March 31, 2019 as compared to the quarter ended March 31, 2018. Net sales, excluding precious metal content, decreased by 7.3% in the first quarter of 2019 as compared to the first quarter of 2018, which was negatively impacted by approximately 6.7% due to the strengthening of the U.S. dollar as compared to the prior year period. Reported net sales in the three months ended March 31, 2019 were negatively impacted in this region by the purchasing behavior ahead of a biennial trade show as compared to the three months ended March 31, 2018.

For the three month period ended March 31, 2019, net sales, excluding precious metal content, decreased 60 basis points on a constant currency basis. This includes a benefit of 10 basis points from acquisitions and an unfavorable impact from discontinued products of 60 basis points, resulting in negative internal sales growth of 10 basis points. The decline in internal sales growth was driven primarily by the Consumables segment, mostly offset by internal sales growth in the Technologies and Equipment segment.

Rest of World

Reported net sales decreased by 0.8% in the quarter ended March 31, 2019 as compared to the quarter ended March 31, 2018. Net sales, excluding precious metal content, decreased 0.7% in the first quarter of 2019 as compared to the first quarter of 2018. The first quarter of 2019 was negatively impacted by approximately 7.0% due to the strengthening of the U.S. dollar as compared to the same prior year period.

For the three month period ended March 31, 2019, sales, excluding precious metal content, increased 6.3% on a constant currency basis. This includes a benefit of 40 basis points from acquisitions and an unfavorable impact from discontinued products of 2.2%, which results in internal sales growth of 8.1%. The internal sales growth was driven by the Technologies & Equipment segment.

Gross Profit

	Three Months Ended March 31,			
(in millions)	2019	2018	\$ Change	% Change
Gross profit	\$ 499.7	\$ 514.1	\$ (14.4)	(2.8%)
Gross profit as a percentage of net sales, including precious metal content	52.8%	53.8%		
Gross profit as a percentage of net sales, excluding precious metal content	53.4%	54.4%		

Gross profit as a percentage of net sales, excluding precious metal content, decreased by 100 basis points for the quarter ended March 31, 2019 as compared to the same three month period ended March 31, 2018.

For the three months ended March 31, 2019, the decrease in the gross profit rate was primarily driven by the expense related to the divestiture of non-strategic businesses and higher manufacturing and distribution costs, partially offset by cost savings initiatives as compared to the three months ended March 31, 2018.

Operating Expenses

	Three Months Ended			
	March 31,			
(in millions)	2019	2018	\$ Change	% Change
Selling, general and administrative expenses ("SG&A")	\$ 431.9	\$ 435.2	\$ (3.3)	(0.8%)
Restructuring and other costs	20.5	10.2	10.3	NM
SG&A as a percentage of net sales, including precious metal content	45.6%	45.3%		
SG&A as a percentage of net sales, excluding precious metal content	46.2%	46.0%		

NM - Not meaningful

SG&A Expense

SG&A expenses, including research and development expenses, as a percentage of net sales, excluding precious metal content, for the quarter ended March 31, 2019 increased 20 basis points as compared to the quarter ended March 31, 2018.

For the three months ended March 31, 2019, the higher rate was driven primarily by expenses related to the divestiture of non-strategic businesses which impacted the rate by approximately 150 basis points, biennial trade show expenses and the unfavorable impact of foreign currency which together impacted the rate by approximately 130 basis points. These unfavorable impacts were mostly offset by favorable operating leverage which impacted the rate by approximately 180 basis points and favorable net reorganization activities which impacted the rate by approximately 75 basis points as compared to the three months ended March 31, 2018.

Restructuring and Other Cost

The Company recorded restructuring and other costs of \$20.5 million for the three months ended March 31, 2019 compared to \$10.2 million for the three months ended March 31, 2018.

The Company recorded \$14.2 and \$7.4 million in restructuring costs during the three months ended March 31, 2019 and March 31, 2018, respectively.

During the three months ended March 31, 2019, the Company recorded \$6.3 million of other costs which consist primarily of impairment charges of \$5.3 million related to indefinite-lived intangible assets. During the three months ended March 31, 2018, the Company recorded \$2.8 million in other costs mostly related to legal settlements.

Other Income and Expense

	Three Months Ended March 31,		
(in millions)	2019	2018	Change
Net interest expense	\$ 7.3	\$ 8.0	\$ (0.7)
Other expense (income), net	(13.8)	(34.1)	20.3
Net interest and other expense	\$ (6.5)	\$ (26.1)	\$ 19.6

Net Interest Expense

Net interest expense for the three months ended March 31, 2019 decreased \$0.7 million as compared to the three months ended March 31, 2018. Lower average debt level in 2019 was partially offset by higher average US dollar variable interest rates when compared to the prior year period resulting in lower net interest expense.

Other Expense (Income), Net

Other expense (income), net for the three months ended March 31, 2019 was income of \$13.8 million, comprised primarily of a gain on the sale of a non-strategic business. Other expense (income), net for the three months ended March 31, 2018 was income of \$34.1 million, comprised primarily of a gain recorded on the sale of marketable securities.

Income Taxes and Net Income

	Three Months Ended March 31,		
(in millions, except per share data)	2019	2018	\$ Change
Provision for income taxes	\$ 14.6	\$ 13.7	\$ 0.9
Effective income tax rate	27.4%	14.5%	
Net income attributable to Dentsply Sirona	\$ 39.2	\$ 81.2	\$ (42.0)
Net income per common share - diluted	\$ 0.17	\$ 0.35	

Provision for Income Taxes

For the three months ended March 31, 2019, income taxes were a provision of \$14.6 million as compared to a provision of \$13.7 million in the quarter ended March 31, 2018.

During the quarter ended March 31, 2019, the Company recorded \$2.4 million of tax expense for discrete tax matters. The Company also recorded a \$1.5 million tax benefit related to the indefinite-lived intangible asset impairment charge recorded during the quarter. Excluding these discrete tax items and adjusting pretax income to exclude the pretax charge related to the impairment of the indefinite-lived intangible assets, the Company's effective tax rate was 23.2%.

The Company has outlined its global business improvement plans which, upon realization of the benefits of these plans, could give rise to the release of a valuation allowance that has been established on the Company's deferred tax assets, in a future period.

For the first quarter of 2018, the Company recorded the following discrete tax items, \$2.2 million of excess tax benefit related to employee share-based compensation, tax expense of \$1.2 million related to valuation allowances, \$0.2 million of tax expense related to enacted statutory rate changes, \$7.2 million of tax expense for other discrete tax matters and \$3.4 million tax benefit related to U.S. tax reform. The Company also recorded \$1.1 million of tax expense as a discrete item related to the gain on sale of marketable securities. Excluding these discrete tax items and adjusting pretax income for the gain on the sale of marketable securities, net of tax, the Company's effective tax rate was 18.9%.

The Company's effective income tax rate for the first quarter of 2019 included the net impact of amortization of purchased intangible assets, restructuring program related costs and other costs, business combination related costs, credit risk and fair value adjustments, and income tax related adjustments which impacted income before income taxes and the provision for income taxes by \$90.7 million and \$20.1 million, respectively.

The Company's effective income tax rate for the first quarter of 2018 included the net impact of amortization of purchased intangible assets, restructuring program related costs and other costs, credit risk and fair value adjustments, business combination related costs, income tax related adjustments and the gain on sale of marketable securities, which impacted income before income taxes and the provision for income taxes by \$35.7 million and \$14.2 million, respectively.

Net Income attributable to Dentsply Sirona

In addition to the results reported in accordance with US GAAP, the Company provides adjusted net income attributable to Dentsply Sirona and adjusted earnings per diluted common share ("adjusted EPS"). The Company discloses adjusted net income attributable to Dentsply Sirona to allow investors to evaluate the performance of the Company's operations exclusive of certain items that impact the comparability of results from period to period and may not be indicative of past or future performance of the normal operations of the Company and certain large non-cash charges related to intangible assets either purchased or acquired through a business combination. The Company believes that this information is helpful in understanding underlying operating trends and cash flow generation.

Adjusted net income and adjusted EPS are important internal measures for the Company. Senior management receives a monthly analysis of operating results that includes adjusted net income and adjusted EPS and the performance of the Company is measured on this basis along with other performance metrics.

The adjusted net income attributable to Dentsply Sirona consists of net income attributable to Dentsply Sirona adjusted to exclude the following:

(1) *Business combination related costs and fair value adjustments.* These adjustments include costs related to integrating and consummating mergers and recently acquired businesses, as well as costs, gains and losses related to the disposal of businesses or significant product lines. In addition, this category includes the roll off to the

consolidated statement of operations of fair value adjustments related to business combinations, except for amortization expense noted below. These items are irregular in timing and as such may not be indicative of past and future performance of the Company and are therefore excluded to allow investors to better understand underlying operating trends.

(2) *Restructuring program related costs and other costs.* These adjustments include costs related to the implementation of restructuring initiatives as well as certain other costs. These costs can include, but are not limited to, severance costs, facility closure costs, lease and contract terminations costs, related professional service costs, duplicate facility and labor costs associated with specific restructuring initiatives, as well as, legal settlements and impairments of assets. These items are irregular in timing, amount and impact to the Company's financial performance. As such, these items may not be indicative of past and future performance of the Company and are therefore excluded for the purpose of understanding underlying operating trends.

(3) *Amortization of purchased intangible assets.* This adjustment excludes the periodic amortization expense related to purchased intangible assets. Amortization expense has been excluded from adjusted net income attributed to Dentsply Sirona to allow investors to evaluate and understand operating trends excluding these large non-cash charges.

(4) *Credit risk and fair value adjustments.* These adjustments include both the cost and income impacts of adjustments in certain assets and liabilities including the Company's pension obligations, that are recorded through net income which are due solely to the changes in fair value and credit risk. These items can be variable and driven more by market conditions than the Company's operating performance. As such, these items may not be indicative of past and future performance of the Company and therefore are excluded for comparability purposes.

(5) *Gain on sale of marketable securities.* This adjustment represents the gain on the sale of marketable securities held by the Company. The gain has been excluded from adjusted net income attributed to Dentsply Sirona to allow investors to evaluate and understand operating trends excluding this gain.

(6) *Income tax related adjustments.* These adjustments include both income tax expenses and income tax benefits that are representative of income tax adjustments mostly related to prior periods, as well as the final settlement of income tax audits, and discrete tax items resulting from the implementation of restructuring initiatives and the vesting and exercise of employee share-based compensation. These adjustments are irregular in timing and amount and may significantly impact the Company's operating performance. As such, these items may not be indicative of past and future performance of the Company and therefore are excluded for comparability purposes.

Adjusted earnings per diluted common share is calculated by dividing adjusted net income attributable to Dentsply Sirona by diluted weighted-average common shares outstanding. Adjusted net income attributable to Dentsply Sirona and adjusted earnings per diluted common share are considered measures not calculated in accordance with US GAAP, and therefore are non-US GAAP measures. These non-US GAAP measures may differ from other companies. Income tax related adjustments may include the impact to adjust the interim effective income tax rate to the expected annual effective tax rate. The non-US GAAP financial information should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

Three Months Ended

March 31, 2019

(in millions, except per share amounts)	Net Income	Per Diluted Common Share
Net income attributable to Dentsply Sirona	\$ 39.2	\$ 0.17
Pre-tax non-US GAAP adjustments:		
Amortization of		

purchased
intangible
assets
Restructuring
program
related
cost\$8.9
and
other
costs
Business
combination
related
costs
and 2.3
fair
value
adjustments
Credit
risk
and 1.3
fair
value
adjustments
Tax
impact
of
the
pre-(22.6)
non-US
GAAP
adjustments
(a)
Subtotal
non-US
GAAP 68.1
adjustments
Income
tax 2.5
related
adjustments
Adjusted
non-US
GAAP 109.8
net
income

0.31

0.01

\$ 0.49

(a) The tax amount was calculated using the applicable statutory tax rate in the tax jurisdiction where the non-US GAAP adjustments were

generated.

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Three Months Ended

March 31, 2018

(in
millions,
except
per share
amounts)

Net
income
attributable
to

Dentsply
Sirona

Pre-tax
non-US

GAAP

adjustments:

Amortization
of

purchase of
intangible
assets

Restructuring

program

related

costs

and

other

costs

Credit

risk

and

fair

value

adjustments

Business

combination

related

costs

and

fair

value

adjustments

Gain

on

sale

of
marketable
securities

Tax
impact
of
the
pre-tax

(22.9)
non-US
GAAP
adjustments

(a)

Subtotal

non-US
GAAP
adjustments 12.8 0.06

Income

tax
related 8.7 0.04
adjustments

Adjusted

non-US

GAAP 102.7 \$ 0.45

net

income

(a) The tax amount was calculated using the
applicable statutory tax rate in the tax jurisdiction
where the non-US GAAP adjustments were
generated.

Adjusted Operating Income and Margin

Adjusted operating income and margin is another important internal measure for the Company. Operating income in accordance with US GAAP is adjusted for the items noted above which are excluded on a pre-tax basis to arrive at adjusted operating income, a non-US GAAP measure. The adjusted operating margin is calculated by dividing adjusted operating income by net sales, excluding precious metal content.

Senior management receives a monthly analysis of operating results that includes adjusted operating income. The performance of the Company is measured on this basis along with the adjusted non-US GAAP earnings noted above as well as other performance metrics. This non-US GAAP measure may differ from other companies and should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

	Three Months Ended	
	March 31, 2019	
(in millions)	Operating	Percentage
	Income	of Net
		Sales,

		Excluding Precious Metal Content
Operating Income	\$ 47.3	5.1%
Amortization of purchased intangible assets	48.2	5.2%
Restructuring program related costs and other costs	47.9	5.1%
Business combination related costs and fair value adjustments	2.1	0.2%
Adjusted non-US GAAP Operating Income	\$ 145.5	15.6%

Three Months Ended March 31, 2018		
(in millions)	Operating Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating Income	\$ 68.7	7.3%
Amortization of purchased intangible assets	50.0	5.3%
Restructuring program related costs and other costs	15.9	1.6%
Business combination related costs and fair value adjustments	3.0	0.3%
Adjusted non-US GAAP Operating Income	\$ 137.6	14.5%

Operating Segment Results

Third Party Net Sales, Excluding Precious Metal Content

Three Months Ended March 31,				
(in millions)	2019	2018	\$ Change	% Change
Technologies & Equipment	\$ 520.8	\$ 510.1	\$ 10.7	2.1%
Consumables	414.2	435.7	(21.5)	(4.9%)

Segment Operating Income

Three Months Ended
March 31,

(in millions)	2019	2018	\$ Change	% Change
Technologies & Equipment	\$ 71.8	\$ 68.5	\$ 3.3	4.8%
Consumables	105.7	114.7	(9.0)	(7.8%)

A reconciliation of reported net sales to non-US GAAP net sales, excluding precious metal content, by segment is as follows:

(in millions)	Three Months Ended March 31, 2019		
	Technologies & Equipment	Consumables	Total
Net sales	\$ 520.8	\$ 425.4	\$ 946.2
Less: precious metal content of sales	—	11.2	11.2
Net sales, excluding precious metal content	\$ 520.8	\$ 414.2	\$ 935.0

(in millions)	Three Months Ended		
	March 31, 2018		
	Technologies & Equipment	Consumables	Total
Net sales	\$ 510.1	\$ 446.0	\$ 956.1
Less: precious metal content of sales	—	10.3	10.3
Net sales, excluding precious metal content	\$ 510.1	\$ 435.7	\$ 945.8

Technologies & Equipment

Reported net sales increased by 2.1% in the quarter ended March 31, 2019 as compared to the quarter ended March 31, 2018. Net sales, excluding precious metal content, increased by 2.1% in the first quarter of 2019 as compared to the first quarter of 2018. Net sales, excluding precious metal content, were negatively impacted by approximately 5.1% due to the strengthening of the U.S. dollar over the prior year period. The first quarter of 2019 benefited from new product sales. Based on the Company's estimate, inventory held by certain distributors decreased by approximately \$8 million during the three months ended March 31, 2018.

For the three months ended March 31, 2019, net sales, excluding precious metal content, increased 7.2% on a constant currency basis compared to the three months ended March 31, 2018. This includes a benefit of 1.0% related to acquisitions and an unfavorable impact from discontinued products of 1.7% , which results in internal sales growth of 7.9%. All geographic regions experienced internal sales growth.

The operating income increased \$3.3 million or 4.8% for the three months ended March 31, 2019 as compared to the same three month period in 2018. The increase in operating income was related to an increase in net sales as well as favorable product mix.

Consumables

Reported net sales decreased by 4.6% in the quarter ended March 31, 2019 as compared to the quarter ended March 31, 2018. Net sales, excluding precious metal content, decreased 4.9% for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018. Net sales, excluding precious metal content, were negatively impacted by approximately 4.3% due to the strengthening of the U.S. dollar over the same prior year period. Reported net sales in the three months ended March 31, 2019 were negatively impacted by one less selling day in the U.S. region as compared to the three months ended March 31, 2018.

For the three month period ended March 31, 2019, net sales, excluding precious metal content, decreased 0.6% on a constant currency and internal sales growth basis. The negative internal sales growth was driven by the U.S. and Europe regions, partially offset by the Rest of World region.

The operating income decreased \$9.0 million or 7.8% for the three months ended March 31, 2019 as compared to the same three month period in 2018. The decrease in operating income was related to a decrease in net sales and increased manufacturing and distribution costs.

CRITICAL ACCOUNTING POLICIES

Except as noted below, there have been no other significant material changes to the critical accounting policies as disclosed in the Company's Form 10-K for the year ended December 31, 2018.

Annual Goodwill Impairment Testing

Goodwill

Goodwill is not amortized; instead, it is tested for impairment annually or more frequently if indicators of impairment exist or if a decision is made to sell a business. The valuation date for annual impairment testing is April 30.

At March 31, 2019, the Company noted no impairment triggering events related to the Company's reporting units. Should the Company's analysis in the future indicate an increase in discount rates or a degradation in the overall markets served by these reporting units, it could result in impairment of the carrying value of goodwill to its implied fair value. There can be no assurance that the Company's future goodwill impairment testing will not result in a charge to earnings.

Indefinite-Lived Assets

Indefinite-lived intangible assets consist of tradenames and trademarks and are not subject to amortization; instead, they are tested for impairment annually or more frequently if indicators of impairment exist or if a decision is made to sell a business. The valuation date for annual impairment testing is April 30.

During the three months ended March 31, 2019, the Company impaired \$5.3 million of product tradenames and trademarks related to the Technologies & Equipment segment. The impairment was the result of a change in forecasted sales related to divestitures of non-strategic product lines.

Should the Company's analysis in the future indicate an increase in discount rates or a degradation in the use of the tradenames and/or trademarks, it could result in impairment of the carrying value of the indefinite-lived assets to its implied fair value. There can be no assurance that the Company's future indefinite-lived asset impairment testing will not result in a charge to earnings.

LIQUIDITY AND CAPITAL RESOURCES

Three months ended March 31, 2019

Net income of \$39.2 million for the three months ended March 31, 2019, decreased \$41.9 million as compared to net income of \$81.1 million for the three months ended March 31, 2018, primarily due to the prior year non-cash gain on sale of equity security. Cash flow from operating activities during the three months ended March 31, 2019 was \$29.3 million compared to \$55.1 million during the three months ended March 31, 2018. Cash from operations decreased \$25.8 million for the first three months of 2019 as compared to the same period in 2018 and was primarily due to restructuring and legal settlement payments and lower cash from receivables as compared to prior year. The Company's cash and cash equivalents decreased by \$84.2 million to \$225.4 million during the three months ended March 31, 2019.

For the three months ended March 31, 2019, on a constant currency basis, the number of days of sales outstanding in accounts receivable increased by 4 days to 63 days as compared to 59 days at December 31, 2018. On a constant currency basis, the number of days of sales in inventory increased by 4 days to 128 days at March 31, 2019 as compared to 124 days at December 31, 2018.

Cash used in investing activities during the first three months of 2019 included capital expenditures of \$33.9 million. The Company expects capital expenditures to be in the range of approximately \$165 million to \$175 million for the full year 2019.

Cash used in financing activities for the three months ended March 31, 2019 was primarily related to dividend payments of \$19.5 million, payments of short term borrowings of \$67.9 million and cash proceeds from an early termination of a net investment hedge of \$17.4 million.

The Company has authorization to maintain up to \$1.0 billion of treasury stock under its stock repurchase program. Additional share repurchases, if any, will be made through open market purchases, Rule 10b5-1 plans, accelerated share repurchases, privately negotiated transactions or other transactions in such amounts and at such times as the

Company deems appropriate based upon prevailing market and business conditions and other factors. There were no share repurchases during the three months ended March 31, 2019. At March 31, 2019, the Company held 40.7 million shares of treasury stock. The Company received proceeds of \$19.8 million as a result of the exercise of 0.5 million of stock options during the three months ended March 31, 2019.

The Company's total borrowings decreased by a net \$91.5 million during the three months ended March 31, 2019, which includes a decrease of \$20.4 million due to exchange rate fluctuations on debt denominated in foreign currencies. At March 31, 2019 and December 31, 2018, the Company's ratio of total net debt to total capitalization was 20.8%. The Company defines net debt as total debt, including current and long-term portions, less cash and cash equivalents and total capitalization as the sum of net debt plus equity.

The Company is obligated to pay annual principal amortization of \$8.8 million representing a 5% mandatory principal amortization due in each of the first six years under the terms of the PNC Term Loan with a final maturity of August 25, 2020. The sixth annual installment in the amount of \$8.8 million will be due in August 2019 and has been classified as current in the Consolidated Balance Sheets.

Under its multicurrency revolving credit agreement, the Company is able to borrow up to \$700.0 million through July 27, 2023. The facility is unsecured and contains certain affirmative and negative covenants relating to the operations and financial condition of the Company. The most restrictive of these covenants pertain to asset dispositions and prescribed ratios of indebtedness to total capital and operating income, plus depreciation and amortization to interest expense. At March 31, 2019, the Company was in compliance with these covenants. The Company also has available an aggregate \$500.0 million under a U.S. dollar commercial paper facility. The revolver serves as a back-up to the commercial paper facility, thus the total available credit under the commercial paper facility and the multi-currency revolving credit facilities in the aggregate is \$700.0 million. At March 31, 2019, there were no outstanding borrowings under the previous \$500.0 million multi-currency revolving credit facility. The Company had no borrowings under the Commercial Paper facility at March 31, 2019.

The Company also has access to \$31.6 million in uncommitted short-term financing under lines of credit from various financial institutions. The lines of credit have no major restrictions and are provided under demand notes between the Company and the lending institutions. At March 31, 2019, the Company had \$11.7 million outstanding under these short-term lines of credit. At March 31, 2019, the Company had total unused lines of credit related to the revolving credit agreement and the uncommitted short-term lines of credit of \$719.9 million.

At March 31, 2019, the Company held \$44.8 million of precious metals on consignment from several financial institutions. The consignment agreements allow the Company to acquire the precious metal at market rates at a point in time which is approximately the same time and for the same price as alloys are sold to the Company's customers. In the event that the financial institutions would discontinue offering these consignment arrangements, and if the Company could not obtain other comparable arrangements, the Company may be required to obtain third party financing to fund an ownership position in the required precious metal inventory levels.

As a result of U.S. tax reform, \$271.7 million of cash and cash equivalents held by the Company's non-U.S. subsidiaries was subject to current tax in the U.S. in 2018. At March 31, 2019 the Company had repatriated \$106.7 of the \$271.7 million that was taxable under the Act. However, to the extent the Company repatriates these funds to the U.S., the Company will be required to pay income taxes in certain U.S. states and applicable foreign withholding taxes on those amounts during the period when such repatriation occurs.

Except as stated above, there have been no material changes to the Company's scheduled contractual cash obligations disclosed in its Form 10-K for the year ended December 31, 2018.

The Company continues to review its debt portfolio and may refinance additional debt in the near-term as interest rates remain at historically low levels.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Part 1, Item 1, Note 1, Significant Accounting Policies, to the Unaudited Interim Consolidated Financial Statements of this Form 10-Q for a discussion of recent accounting standards and pronouncements.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There have been no significant material changes to the market risks as disclosed in the Company's Form 10-K for the year ended December 31, 2018.

Item 4 – Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that it is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended March 31, 2019, that have materially affected, or are likely to materially affect, its internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

Reference to Part I, Item 1, Note 15 Commitments and Contingencies, in the Notes to Unaudited Interim Consolidated Financial Statements of this Form 10-Q.

Item 1A – Risk Factors

There have been no significant material changes to the risk factors as disclosed in Part 1A, “Risk Factors” in the Company’s Form 10-K for the year ended December 31, 2018.

Item 2 – Unregistered Sales of Securities and Use of Proceeds

Issuer Purchases of Equity Securities

During the quarter ended March 31, 2019, the Company had no repurchases of common shares under the stock repurchase program.

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Item 6 – Exhibits

<u>Exhibit Number</u>	<u>Description</u>
	Non-Employee Director
<u>10.1</u>	Compensation Policy, dated March 27, 2019
	Section 302 Certification
<u>31.1</u>	Statement Chief Executive Officer
	Section 302 Certification
<u>31.2</u>	Statement Chief Financial Officer
	Section 906 Certification
<u>32</u>	Statements
	XBRL Instance Document - the instance document does not appear in the Interactive
101.INS	Data File because its XBRL tags are embedded within the Inline XBRL document.
	XBRL Taxonomy
101.SCH	Extension Schema Document
	XBRL Taxonomy
101.CAL	Extension Calculation Linkbase Document
101.DEF	XBRL

	Taxonomy
	Extension
	Definition
	Linkbase
	Document
	XBRL
101.LAB	Extension
	Labels Linkbase
	Document
	XBRL
101.PRE	Taxonomy
	Extension
	Presentation
	Linkbase
	Document

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DENTSPLY SIRONA Inc.

/s/ *Donald M. Casey, Jr.* May 3,
2019
Donald M. Casey, Jr. Date
Chief
Executive
Officer

/s/ *Nicholas W. Alexos* May 3,
2019
Nicholas W. Alexos Date
Executive
Vice
President
and
Chief
Financial
Officer