

[OUTSIDE FRONT COVER]

S I G N S   O F   U N I T Y

FARMERS NATIONAL BANC CORP.  
ANNUAL REPORT 2001

## [INSIDE FRONT COVER]

### BUSINESS DESCRIPTION

Farmers National Banc Corp. is a one-bank holding company headquartered in Canfield, OH. Its principal subsidiary is the Farmers National Bank of Canfield. The Bank is a full service national bank engaged in commercial and retail banking with the exception of trust services. The Bank's main office is located at 20 South Broad Street, Canfield, Ohio. Business is conducted at a total of sixteen (16) offices located in the counties of Mahoning, Trumbull and Columbiana. The Bank is a member of the Federal Reserve System, subject to supervision and regulation of the Comptroller of the Currency, and its deposits are insured by the Federal Deposit Insurance Corporation to the extent provided by law.

### SIGNS OF UNITY

Who has not considered more directly and deeply what they must value in the aftermath of September 11, 2001?

The violence, injustice and suffering that marked that day in America will not be forgotten. But, the acts of heroism in New York, Washington D.C., and in the skies above our neighboring state of Pennsylvania will also be remembered.

In the aftermath of 9/11, we have been reawakened to the responsibilities we have to one another—including our civic responsibilities, which transform a place on the map into a place known as a community. In this year's annual report we celebrate communities Farmers is honored to serve as a locally-owned financial institution. These are places on the map where individuals and families find unity of purpose in everyday activities, from little league ball fields to town halls to volunteer fire stations.

Signs of unity, in both the literal and metaphorical sense, are everywhere throughout our Valley. They remind us that it is a community bank's privilege, as well as its obligation, to meet its civic responsibilities.

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Selected Financial Data (In Thousands except Per Share Data)

For the Year	2001	2000	Percent Change
Net Income	\$ 7,290	\$ 5,748	26.83%
Return on Average Assets	1.14%	0.93%	22.58%
Return on Average Equity	9.88%	8.37%	18.04%
Per Share			
Net Income	\$ 0.61	\$ 0.49*	24.49%
Book Value	6.25	6.10	2.46%
Balances at Year-End			
Assets	\$656,694	\$626,122	4.88%
Securities	143,575	127,761	12.38%
Net Loans	429,028	444,596	-3.50%
Deposits	503,644	468,336	7.54%
Stockholders Equity	75,718	70,833	6.90%
Shares Outstanding	12,111	11,604	4.37%
Cash Dividends	6,243	4,770	30.88%

\* Restated to reflect weighted average shares outstanding adjusted for stock dividends.

[BAR GRAPH]

Net Income Per Share				
\$ 0.55	\$ 0.46	\$ 0.53	\$ 0.49	\$ 0.61
1997	1998	1999	2000	2001

[BAR GRAPH]

Net Income In Thousands				
\$6,060	\$5,268	\$6,159	\$5,748	\$7,290
1997	1998	1999	2000	2001

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY  
**President's Letter**

[PHOTO]

**Dear Shareholders,**

Farmers National Banc Corp. posted another year of strong financial performance in 2001 and made significant progress in the preparation for the future growth of your corporation.

In the face of the tragic events that our nation experienced during 2001 and their impact upon what was already a challenging economic climate — the driving force of our community banking strategies kept Farmers National Banc Corp. on course to a year of exceptional performance and accomplishments.

As the cover of this year's Annual Report shows, the impact and support of our local communities are the strength behind our community banking philosophy and play a vital role in our success. We are equally as proud that our philosophy of community-based banking has brought success to our bank, value to our shareholders and continued prosperity to the communities we serve.

We undertook several strategic initiatives during 2001 to expand our community banking franchise in order to better position us in the financial services industry. Overall, the final results published in the Annual Report fit well with our corporate mission statement and vision — **Profitability, Growth, Strength & Safety.**

We ended 2001 with \$657 million in total assets and a market capitalization of approximately \$136 million. In 2001, our net income per share increased 24.5 percent to \$.61 or a record \$7.3 million in after tax earnings. These results represent a return on average assets (ROA) of 1.14 percent and a return on average shareholders equity (ROE) of 9.88 percent. The Corporation's total capital was \$75.7 million at December 31, 2001, representing a book value per share of \$6.25.

Farmers National Banc Corp.'s common stock closed the year at \$11.25 per share, compared to 2000's closing price of \$7.13, which translates into a 57.7 percent increase in market value over those twelve months. Total cash dividends paid per share were \$.53, plus our shareholders received a 2 percent stock dividend in November.

Strategically, we planned and implemented the final computer systems integration of the Security Dollar Bank into Farmers National Bank. This conversion was completed on March 31, 2001, at which time signage was changed and the six branch offices located in Trumbull County were changed over to function and operate as branches of Farmers National Bank. At the same time, certain check processing functions were relocated from Canfield to the Niles Operations Center. Over the remainder of the year, we methodically fine-tuned these changes into a more efficient operation that contributed to the overall success that we experienced in 2001.

I have outlined some of the other newsworthy accomplishments completed last year:

- o *PrimeVest Financial Services @ Farmers National Bank, the bank's investment and insurance center continues to gain popularity and growth as this product line is now available in all of the bank's sixteen branches.*
- o *IMAGE ADVANTAGE is the bank's newest technology investment that will electronically scan checks and deposits — storing these images directly onto our computer system.*
- o *New ATMs were purchased and installed at four (4) of our Trumbull Country branches. Certain locations were re-configured to install there ATMs in drive-up lanes to better accommodate the customer traffic patterns and provide additional convenience, improved security and added services.*
- o *Our On-Line Banking and Phone Banking products and services were expanded when we introduced Commercial Cash Management and CorporateLink Telephone. These products are designed to provide direct access to our commercial banking customer's account via the Internet or the telephone.*

Over the next few pages, we have given you a summary of the year in review. I encourage you to take the time to review this information. After the completion of the Security Dollar transaction on December 31, 2000, our officers and employees set some high standards for 2001. It is with great pleasure that we have this opportunity to share all those results with you in this year's Annual Report.

The national events that took place in New York, Washington and Pennsylvania, as well as the quick changes in the economic environment, forced our management team to implement some crisis management scenarios. Our staff was able to deal with concerned customers, while management needed to make some quick decisions regarding financial and operating strategies. I am extremely proud to report that your Board of Directors, officers and all employees responded to all events in a very professional and responsible manner.

In closing, I would like to extend my appreciation to our loyal shareholders and dedicated board members for their continued support as we move forward. I also want to salute the 300 employees of Farmers National Bank whose hard work and productivity have given us a strong community banking franchise prepared for the future. I encourage you to read this report along with the independent report issued by our accountant's in the pages that follow — and hope you have the opportunity to attend our Annual Shareholder's Meeting in March.

Sincerely,

/s/ Frank L. Paden

Frank L. Paden, President & CEO

[BAR CHART]

Return on Average Assets				
1.17%	0.96%	1.05%	0.93%	1.14%
1997	1998	1999	2000	2001

[BAR CHART]

Cash Dividends per Share				
\$ 0.29	\$ 0.34	\$ 0.42	\$ 0.51	\$ 0.53
1997	1998	1999	2000	2001

Profitability

Net income for the year reached a record high of \$7.29 million, up 26.8 percent over 2000. Excluding the one-time Security Dollar merger related expenses recognized in December 2000, the operating income for this past year increased by \$551 thousand or 8.2 percent. Interest income from earning assets on a taxable equivalent basis generated \$46.6 million during 2001. Total interest expense, or the cost of our interest bearing liabilities was \$21 million. Net interest income for the year was \$25.6 million, up 2.8 percent, or \$696 thousand from last year. The net interest margin on these assets and liabilities was 4.24 percent as compared to 4.27 percent in 2000.

The net income was \$.61 per share for 2001 as compared to \$.49 per share in 2000. This represents a 24.5 percent increase. When excluding the one-time merger expenses in 2000, the net income per share increased from \$.58 to \$.61 or 5.2 percent.

Strength in Capital

Cash dividends paid on Farmers National Banc Corp. common stock during 2001 were \$.53 per share as compared to the \$.51 per share paid during 2000. This marks the sixth consecutive year that our Directors have increased the annual cash dividend. In addition, our Board declared and paid a 2% stock dividend, marking the twenty-sixth consecutive year for paying an annual stock dividend.

Shareholder’s Equity increased by 6.9 percent during 2001 up to \$75.72 million at the end of the year. This strong capital position gives the Corporation 11.5 percent capital to asset ratio. As of December 31, 2001, the Corporation’s Tier Risk Based Capital Ratio was 16 percent, well in excess of the minimum regulatory level of 4 percent.

The total capital account continues to grow at a pace greater than earnings growth primarily from the strong support and participation of our shareholders in the Corporation’s Dividend Reinvestment Plan. Approximately 84 percent of our registered shareholders participate in this Plan. During 2001, shareholders reinvested cash dividends of \$2.3 million and made additional cash contributions of \$1.1 million for a total of \$3.4 million, which purchased 359,112 shares of common stock at an average weighted price of \$9.47 per share.

Achieving Growth

As of December 31, 2001, total assets for the Corporation reached a record level of \$656.7 million, an increase of \$30.6 million, or 4.9 percent over the totals at the end of 2000. Net loans make-up approximately 65 percent of the Corporations total assets.

Our loan footings actually decreased by \$15.2 million during 2001, with most of the reductions in the two separate categories of our loan portfolio

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY

The Year in Review

The one-to-four family real estate category of our mortgage loan portfolio experienced accelerated repayments as borrowers refinanced mortgage loans to take advantage of long-term fixed rates offered through the secondary mortgage markets. The other portion of our loan portfolio that experienced some decline in balances was the indirect automobile loan category. Special rate programs offered through the automobile manufacturers captured some of that market this past year, but we were still able to originate nearly \$70 million in new indirect loans through our network of local automobile dealers.

Offsetting the decrease in loan assets, the Investment Securities Portfolio increased to \$143.6 million on December 31, 2001 as compared to \$127.9 million at the end of 2000. These investments, which are comprised mainly of various U.S. Governmental and State & Municipal Securities, are strategically purchased with maturities and interest rates that fit into the bank’s asset/liability and interest rate models. In addition, the corporation was investing nearly \$42 million in overnight Fed Funds at year end, this being up substantially from \$11.4 million, in December 2000.

On the liability side of the company’s balance sheet, total deposits grew 7.5%, or \$35.3 million during this past year. Lower interest rates caused a shift in deposit categories as we experienced most deposit growth to be in the tiered balance money market account category, which gives depositors more liquidity and flexibility should interest rates move upward in 2002.

[BAR GRAPH]

Total Deposits (in thousands)				
\$451,182	\$470,435	\$476,829	\$468,336	\$503,644
1997	1998	1999	2000	2001

Asset Quality and Risk Management

In light of the weak economic market conditions, increase in bankruptcy petitions and higher unemployment, prudent risk management is necessary to monitor the credit quality within our loan portfolio and support the balance of our loan loss reserve account. There are three key ratios that we use to monitor our adequacy of loan loss reserve. The Allowance for Loan Losses to Total Loans was 1.48%; the percent of Allowance for Loan Losses to Non-performing Loans was 226%; and the Net Losses to Average Loans was .17%. As a comparison, these same three ratios in December 2000 were 1.36%, 458% and .12%.

Utilizing a strategy that has been very helpful in guarding against some interest rate risk on our balance sheet, management continues to utilize loan advances from the Federal Home Loan Bank to match some fixed rate commercial real estate loans that originated during 2001. This type of transaction gives us the ability to offer attractive fixed rate terms and conditions to our commercial customers and not put the bank at great interest rate risk over the next five to ten years.

[BAR GRAPH]

Allowance for Loan Losses to Total Loans				
1.32%	1.38%	1.34%	1.36%	1.48%
1997	1998	1999	2000	2001

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY

The Year in Review

Enhancing Shareholder Value

During 2001, we saw the market recognize the value in our common stock as the current market value increased from a low of \$7.13 in January up to closing the year at \$11.25. The corresponding graph shows the average weighted price for all shares of common stock that traded during the last five calendar quarters.

In June 2001, our Directors reinstated our Stock Repurchase Plan. This program allows us to go to the market and re-purchase our common stock shares in open market transactions. This plan was originally started in early 2000, but was curtailed until the consummation of the Security Dollar transaction. During 2001, we have purchased shares totaling approximately \$1 million at an average cost of \$10.25 per share. Shares that are purchased are being treated as Treasury Stock on the corporate balance sheet. At this time, the corporation plans to continue to make purchases when appropriate and in accordance with the guidelines of our Stock Repurchase Plan.

Operational Initiatives

All accomplishments attained in 2001 can be directly attributed to our dedicated staff of employees. Following the consummation of the Security Dollar Bank acquisition, we systematically formulated a plan to take advantages of the synergies recognized in this deal. Computer systems were converted, signs changed at branch locations, employees were trained on new policies and procedures, check processing operations were consolidated into one facility — all done in accordance with last year’s mission, “Building A Stronger Bank”. Progress on these changes were monitored and fine-tuned along the way.

Some new products and services were introduced during this past year in all banking locations. PrimeVest Financial Services @ Farmers National Bank was expanded and is now available in all sixteen banking locations within Mahoning, Trumbull and Columbiana Counties. The products and services offered through this department include access to the retail non-traditional bank deposits such as mutual funds, annuities, equities and access to individuals for financial and estate planning. During this period of uncertainty, insecurity and apprehension, customers need to re-examine their priorities. Our mission with PrimeVest is to give our customers additional options for enhancing personal wealth and to compliment the traditional bank deposit products we have always made available for our customers.

[BAR GRAPH]

Average Weighted Price Per Share Common Stock (FMNB)				
\$7.89	\$8.11	\$9.16	\$10.06	\$10.79
December 2000	March 2001	June 2001	September 2001	December 2001

[BAR GRAPH]

Total Shareholders Equity (In Thousands)				
\$55,556	\$62,018	\$66,233	\$70,833	\$75,718
1997	1998	1999	2000	2001

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY

The Year in Review

Technology

Our Electronic Banking products were also expanded. Following the successful introduction and implementation of On-Line Banking and Phone Banking in 2000, we expanded these products to include all commercial banking customers who now have the availability to transact business, via the Internet, through our Corporate Cash Management product. In addition, corporate customers can also use the CustomerLink Phone Banking services. As with any of these types of electronic services, security and customer privacy are priorities. We have taken great measures to ensure the safety of our customers’ information and guard against anyone but authorized individuals transacting and viewing financial information. The number of transactions over our On-Line and Phone Banking products continues to increase on a monthly basis. In addition, our electronic bill paying service continues to gain popularity.

Keeping with our long-term strategic commitment regarding technology, we are very enthused about our most recent technological enhancement—IMAGE ADVANTAGE. This new investment fits well with the recent relocation of our proof and bookkeeping, item processing and statement rendering departments to the Niles Operations Center. IMAGE ADVANTAGE allow us to process all paper checks through our Operations Center and convert those paper checks to a digital format and store copies of the original documents directly onto our core processing system. Deposit customers will soon receive all their cancelled checks in a new format along with their regular monthly statement. This is a major commitment on our part as we prepare for anticipated changes in processing paper checks through the Federal Reserve Bank’s payment and check systems.

Community Reinvestment

Farmers National Bank’s commitment to community development is evidenced by our participation in two specific programs directed at first time homeowners as well as applicants in the low-to-moderate income levels. 2001 marks the third time that Farmers National Bank has been selected to participate in The Welcome Home Program. Under this program, financial assistance is provided to qualifying applicants through a cooperative effort by and between Farmers National Bank and the Federal Home Loan of Cincinnati—helping deserving families to acquire homes. This program, along with our own Affordable Housing Program has been very successful in giving financial assistance to applicants that possibly would not have qualified for conventional mortgage loans. In addition, Farmers National Bank offers a savings program that gives incentives to potential mortgage loan applicants as a means for saving towards a down payment.

[BAR GRAPH]

Return on Average Equity

11.92%	8.99%	9.62%	8.37%	9.88%
1997	1998	1999	2000	2001

[BAR GRAPH]

Total Assets  
(in thousands)

\$535,707	\$573,695	\$603,798	\$626,122	\$656,694
1997	1998	1999	2000	2001

Selected Financial Data

For the Years Ending	(In Thousands except Per Share Data)				
	2001	2000	1999	1998	1997
Summary of Earnings					
Total Interest Income (including fees on loans)	\$ 45,686	\$ 45,842	\$ 42,631	\$ 41,884	\$ 40,424
Total Interest Expense	21,003	21,550	18,653	19,228	18,457
Net Interest Income	24,683	24,292	23,978	22,656	21,967
Provision for Credit Losses	1,080	865	1,810	3,107	2,105
Total Other Income	3,419	2,992	2,550	2,582	2,709
Total Other Expense	16,818	18,023	15,864	14,544	13,702
Income Before Federal Income Taxes	10,204	8,396	8,854	7,587	8,869
Federal Income Taxes	2,914	2,648	2,695	2,319	2,809
NET INCOME	\$ 7,290	\$ 5,748	\$ 6,159	\$ 5,268	\$ 6,060
Per Share Data (Note)					
Net Income	\$ 0.61	\$ 0.49	\$ 0.53	\$ 0.46	\$ 0.55
Cash Dividends Paid	0.53	0.51	0.42	0.34	0.29
Book Value at Year-End	6.25	6.10	5.91	5.74	5.34
Balances at Year-End					
Total Assets	\$656,694	\$626,122	\$603,798	\$573,695	\$535,707
Earning Assets	620,588	589,829	561,544	535,305	504,660
Total Deposits	503,644	468,336	476,829	470,435	451,182
Net Loans	429,028	444,596	425,975	392,065	382,416
Total Stockholder's Equity	75,718	70,833	66,235	62,018	55,556
Average Balances					
Total Assets	\$637,877	\$616,059	\$586,562	\$549,482	\$516,317
Total Stockholder's Equity	73,780	68,639	64,011	58,571	50,836
Significant Ratios					
Return on Average Assets (ROA)	1.14%	0.93%	1.05%	0.96%	1.17%
Return on Average Equity (ROE)	9.88	8.37	9.62	8.99	11.92
Average Earning Assets/Average Assets	94.60	94.65	93.99	94.32	94.42
Average Equity/Average Assets	11.57	11.14	10.91	10.66	9.85
Net Loans/Deposits	85.18	94.93	89.33	83.34	84.76
Allowance for Credit Losses/Total Loans	1.48	1.36	1.34	1.38	1.32
Allowance for Credit Losses/Nonperforming Loans	226.51	458.74	292.71	201.70	146.04
Efficiency Ratio	60.08	66.14	59.80	57.63	55.53
Dividend Payout Rate	85.64	82.99	57.87	53.93	38.51

**Note:** Per share data has been restated for the effect of common stock dividends, splits and merger accounted for as pooling-of-interests.

Selected Financial Data

Years ended December 31,	Average Balance Sheets and Related Yields and Rates (In Thousands of Dollars)								
	2001			2000			1999		
EARNING ASSETS									
	AVERAGE BALANCE	INTEREST	RATE	AVERAGE BALANCE	INTEREST	RATE	AVERAGE BALANCE	INTEREST	RATE
Loans	\$443,316	\$37,052	8.36%	\$438,163	\$37,252	8.50%	\$412,047	\$35,105	8.52%
Taxable securities	105,458	6,605	6.26	104,799	6,382	6.09	103,969	5,793	5.57
Tax-exempt securities	26,776	2,022	7.55	23,462	1,764	7.52	23,136	1,710	7.39
Federal funds sold	27,864	909	3.26	16,688	1,041	6.24	12,147	603	4.96
Total earning assets	603,414	46,588	7.72	583,112	46,439	7.96	551,299	43,211	7.84
NONEARNING ASSETS									
Cash and due from banks	20,379			21,289			20,745		
Premises and equipment	12,615			12,823			12,999		
Allowance for Loan Losses	(6,379)			(6,228)			(5,730)		
Other assets	7,848			5,063			7,249		
Total Assets	\$637,877			\$616,059			\$586,562		
INTEREST-BEARING LIABILITIES									
Time deposits	\$228,855	\$12,729	5.56%	\$217,979	\$12,269	5.63%	\$224,366	\$11,893	5.30%
Savings deposits	131,906	3,493	2.65	128,006	3,834	3.00	123,219	3,355	2.72
Demand deposits	80,112	1,238	1.55	77,998	1,286	1.65	72,887	1,194	1.64
Repurchase agreements	42,287	1,605	3.80	39,705	2,020	5.09	35,152	1,399	3.98
Borrowings	30,268	1,938	6.40	32,579	2,141	6.57	14,503	812	5.60
Total Interest-Bearing Liabilities	513,428	21,003	4.09	496,267	21,550	4.34	470,127	18,653	3.97
NONINTEREST-BEARING LIABILITIES									
Demand deposits	44,329			46,948			46,349		
Other liabilities	6,340			4,205			6,075		
Stockholder's equity	73,780			68,639			64,011		
Total Liabilities and Stockholders' Equity	\$637,877			\$616,059			\$586,562		
Net interest income	\$25,585			\$24,889			\$24,558		
Net interest income to earning assets			4.24%			4.27%			4.45%

Fully taxable equivalent basis computed at 35% in 2001, 2000 and 1999.

RATE AND VOLUME ANALYSIS

The following table analyzes by rate and volume the dollar amount of changes in the components of the interest differential:

(In Thousands of Dollars)						
	2001 change from 2000		2000 change from 1999			
	Net Change	Change Due To Volume	Change Due To Rate	Net Change	Change Due To Volume	Change Due To Rate
<b>Tax Equivalent Interest Income</b>						
Loans	<b>\$(200)</b>	<b>\$ 429</b>	<b>\$ (629)</b>	\$2,147	\$2,230	\$ (83)
Taxable securities	<b>223</b>	<b>42</b>	<b>181</b>	589	45	544
Tax-exempt securities	<b>258</b>	<b>250</b>	<b>8</b>	54	24	30
Federal funds sold	(132)	697	(829)	438	226	212
Total interest income	<b>\$ 149</b>	<b>\$1,418</b>	<b>\$(1,269)</b>	\$3,228	\$2,525	\$ 703
<b>Interest Expense</b>						
Time deposits	<b>\$ 460</b>	<b>\$ 616</b>	<b>\$ (156)</b>	\$ 376	\$ (341)	\$ 717
Savings deposits	<b>(341)</b>	<b>119</b>	<b>(460)</b>	479	126	353
Demand deposits	<b>(48)</b>	<b>33</b>	<b>(81)</b>	92	84	8
Repurchase agreements	<b>(415)</b>	<b>131</b>	<b>(546)</b>	621	181	440
Borrowings	<b>(203)</b>	<b>(152)</b>	<b>(51)</b>	1,329	1,013	316
Total interest expense	<b>\$(547)</b>	<b>\$ 747</b>	<b>\$(1,294)</b>	\$2,897	\$1,063	\$ 1,834
Increase in tax equivalent Net Interest Income	<b>\$ 696</b>	<b>\$ 671</b>	<b>\$ 25</b>	\$ 331	\$1,462	\$(1,131)

The amount of change not solely due to rate or volume changes was allocated between the change due to rate and the change due to volume based on the relative size of the rate and volume changes.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

The following financial review presents an analysis of the assets and liability structure of the Corporation and a discussion of the results of operations for each of the periods presented in this annual report of liquidity, capital and credit quality. Certain statements in this report that relate to Farmers National Banc Corp.’s plans, objectives, or future performance may be deemed to be forward-looking statements within the Private Securities Litigation Reform Act of 1995. Such statements are based on management’s current expectations. Actual strategies and results in future periods may differ materially from those currently expected because of various risks and uncertainties.

Among the important factors that could cause actual results to differ materially are interest rates, changes in the mix of the company’s business, competitive pressures, general economic conditions and the risk factors detailed in the company’s other periodic reports and registration statements filed with the Securities and Exchange Commission.

Results of Operations

Comparison of Operating Results for the Years Ended December 31, 2001 and 2000.

The Corporation’s net income totaled \$7.29 million during 2001, an increase of 26.83% from \$5.748 million for 2000. On a per share basis, net income was \$.61 for 2001 as compared to \$.49 for 2000. Common comparative ratios for results of operations include the return on average assets and return on average stockholders equity. For 2001, the return on average equity was 9.88% compared to 8.37% for 2000. The return on average assets was 1.14% for 2001 and .93% for 2000.

The Corporation’s operating earnings increased 8.18% to \$7.29 million in 2001, compared to \$6.739 million, after excluding an after tax non-recurring item in 2000. Stated on a per share basis, operating earnings were \$.61 per share in 2001, compared to \$.58 per share in 2000. The after-tax non-recurring expense in 2000, which amounted to \$991 thousand, was merger related expense.

These results of operations are the direct result of management’s concerted efforts to control expenses and increase interest from our interest bearing assets. Consistent growth in interest-bearing deposits and the effective use of those funds in the loan and investment security portfolios together with control over the bank’s general expenses have produced these results.

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY

Management’s Discussion

Net Interest Income

Net interest income, the principal source of the Corporation’s earnings, represents the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. For 2001, taxable equivalent net interest income increased \$696 thousand or 2.8% over 2000. Interest-earning assets averaged \$603.414 million during 2001 representing a 3.48% increase over 2000.

The Corporation finances its earning assets with a combination of interest-bearing and interest-free funds. The interest-bearing funds are composed of deposits, short-term borrowings and long-term debt. Interest paid for the use of these funds is the second factor in the net interest income equation. Interest-free funds, such as demand deposits and stockholders equity, require no interest expense and, therefore, contribute significantly to net interest income.

The profit margin, or spread, on invested funds is a key performance measure. The Corporation monitors two key performance indicators — net interest spread and net interest margin. The net interest spread represents the difference between the average rate earned on interest-earning assets and the average rate paid on interest-bearing liabilities. The net interest margin represents the overall profit margin: net interest income as a percentage of total interest-earning assets. This performance indicator gives effect to interest earned for all investable funds including the substantial volume of interest-free funds. For 2001, the net interest margin, measured on a fully taxable equivalent basis was 4.24%, down slightly in comparison to 4.27% in 2000.

Total interest income was \$46.588 million for 2001, slightly higher than the \$46.439 million reported for 2000. Average loans increased 1.18% during the year, but this growth was offset by a decrease in yields from 8.50% in 2000 to 8.36% in 2001. Income from securities and federal funds sold increased \$349 thousand or 3.8%, however the Corporation saw its’ yields on these assets decline from 6.34% in 2000 to 5.95% in 2001. This drop in yield was offset by a 10.45% increase in average balances of investment securities and federal funds sold.

Total interest expense amounted to \$21.003 million for 2001, a 2.54% decrease from \$21.550 million reported in 2000. The decrease in 2001 is primarily the result of lower rates of interest paid on deposits, repurchase agreements and borrowings. The cost of interest-bearing liabilities dropped from 4.34% in 2000 to 4.09% in 2001.

Other Income

Total other income increased in 2001 by \$427 thousand or 14.27% to \$3.419 million. Most of this increase is the result of an increase in service charges on deposit products and fees from other banking products and services. Management continues to explore new products and nontraditional banking services that could increase other income in future years.

Other Expenses

Total other expenses for 2001 decreased 6.69% or \$1.205 million from 2000. Merger related expenses in 2000 amounted to \$1.192 million compared to none in 2001. Management will continue to closely monitor and keep the increases in other expenses to a minimum.

Income Taxes

Federal income taxes are computed using the appropriate effective tax rates for each period. The effective tax rates are less than the statutory tax rate primarily due to nontaxable interest and dividend income. The effective federal income tax rate was 29% and 32% for the periods ending 2001 and 2000, respectively.

Comparison of Operating Results for the Years Ended December 31, 2000 and 1999.

The Corporation’s net income totaled \$5.748 million during 2000, a decrease of 6.67% from \$6.159 million for 1999. On a per share basis, net income was \$.49 for 2000 as compared to \$.53 for 1999. For 2000, the return on average equity was 8.37% as compared to 9.62% for 1999. The return on average assets was .93% for 2000 and 1.05% for 1999.

The Corporation’s operating earnings, which exclude the after-tax non-recurring items, increased 9.42% to \$6.739 million in 2000, compared to \$6.159 million in 1999. Stated on a per share basis, operating earnings were \$.58 per share in 2000, compared to \$.53 per share in 1999. The after-tax non-recurring expense, which amounted to \$991 thousand, was merger related expense.

Net Interest Income

For 2000, taxable equivalent net interest income increased \$331 thousand or 1.35% over 1999. Interest-earning assets averaged \$583.112 million during 2000 representing a 5.77% increase over 1999.

For 2000, the net interest margin, measured on a fully taxable equivalent basis was 4.27% in comparison to 4.45% for 1999.

Total interest income was \$46.439 million for 2000, as compared to \$43.211 million for 1999. The 7.47% increase in interest income is largely attributed to a \$2.148 million or 6.12% increase in income from loans. Average loans increased 6.3% during the past year, but this growth was offset by a slight decline in the overall yield from 8.52% in 1999 to 8.50% in 2000. Income from securities and federal funds sold increased \$1.08 million or 13.32%, as a result of an increase in yields in these earning assets.

Total interest expense amounted to \$21.55 million for 2000, representing a 15.53% increase from 1999. The increase in 2000 is primarily the result of a higher level of interest expense on time deposits and borrowings. The cost of time deposits increased from

5.30% in 1999 to 5.63% in 2000, while borrowing costs rose from 5.60% in 1999 to 6.57% in 2000. Total interest-bearing liabilities amounted to \$496.267 million in 2000, compared to \$470.127 million in 1999.

**Other Income**

Total other income increased in 2000 by \$442 thousand or 17.33% to \$2.992 million. Most of this increase is the result of an increase in service charges on deposit products, and commissions from sales of investment and insurance products.

Other Expenses

Total other expenses for 2000 increased 13.61% or \$2.159 million over 1999. Merger related expenses in 2000 amounted to \$1.192 million compared to none in 1999. Salaries and employee benefits also increased \$626 thousand or 7.59%. This increase was the result of increases in salary rates and increased staffing to handle increased volume of operations of the Bank.

Income Taxes

The effective federal income tax rate was 32% and 30% for the periods ending 2000 and 1999, respectively.

MARKET RISK

Important considerations in asset/liability management are liquidity, the balance between interest rate sensitive assets and liabilities and the adequacy of capital. Interest rate sensitive assets and liabilities are those which have yields on rates subject to change within a future time period due to maturity of the instrument or changes in market rates. While liquidity management involves meeting the funds flow requirements of the Corporation, the management of interest rate sensitivity focuses on the structure of these assets and liabilities with respect to maturity and repricing characteristics. Balancing interest rate sensitive assets and liabilities provides a means of tempering fluctuating interest rates and maintaining net interest margins through periods of changing interest rates. The Corporation monitors interest rate sensitive assets and liabilities to determine the overall interest rate position over various time frames.

The Corporation considers the primary market exposure to be interest rate risk. Simulation analysis is used to monitor the Corporation’s exposure to changes in interest rates, and the effect of the change to net interest income. The following table shows the effect on net interest income and the net present value of equity in the event of a 200 basis point increase or decrease in market interest rates:

Changes In Interest Rate (basis points)	Result	ALCO Guidelines
Net Interest		
Income Change		
+200	-3.08%	7.50%
- 200	2.90%	7.50%
Net Present Value		
Of Equity Change		
+200	-25.22%	35.00%
- 200	33.01%	35.00%

The results of this analysis comply with internal limits established by the Corporation. A report on interest rate risk is presented to the Board of Directors and the Asset/Liability Committee on a quarterly basis. The Corporation has no market risk sensitive instruments held for trading purposes, nor does it hold derivative financial instruments, and does not plan to purchase these instruments in the near future.

With the largest amount of interest sensitive assets and liabilities maturing within twelve months, the Corporation monitors this area most closely. The Corporation does not emphasize interest sensitivity analysis beyond this time frame because it believes various unpredictable factors could result in erroneous interpretations. Early withdrawal of deposits, prepayments of loans and loan delinquencies are some of the factors that could have such an effect. In addition, changes in rates on interest sensitive assets and liabilities may not be equal, which could result in a change in net margin.

Interest rate sensitivity management provides some degree of protection against net interest income volatility. It is not possible or necessarily desirable to attempt to eliminate this risk completely by matching interest sensitive assets and liabilities. Other factors, such as market demand, interest rate outlook, regulatory restraint and strategic planning also have an effect on the desired balance sheet structure.

Liquidity

The Corporation maintains, in the opinion of management, liquidity sufficient to satisfy depositors’ requirements and meet the credit needs of customers. The Corporation depends on its ability to maintain its market share of deposits as well as acquiring new funds. The Corporation’s ability to attract deposits and borrow funds depends in large measure on its profitability, capitalization and overall financial condition.

Principal sources of liquidity for the Corporation include assets considered relatively liquid such as short-term investment securities, federal funds sold and cash and due from banks.

Along with its liquid assets, the Corporation has additional sources of liquidity available which help to insure that funds are available as needed. These other sources include, but are not limited to, loan repayments, the ability to obtain deposits through the adjustment of interest rates and the purchasing of federal funds and borrowings on approved lines of credit at three major domestic banks. At December 31, 2001, the Corporation had not borrowed against these lines of credit. Management feels that its liquidity position is more than adequate and will continue to monitor the position on a monthly basis. The Corporation also has additional borrowing capacity with the Federal Home Loan Bank of Cincinnati, as well as access to the Federal Reserve Discount Window, which provides an additional source of funds. Advances outstanding from the Federal Home Loan Bank at December 31, 2001 amounted to \$26.832 million.

Cash flows generated from operating activities increased 18.34% to \$10.78 million in 2001 compared to \$9.109 million in 2000. This increase is a result of an increase in interest in fees and commissions received, as well as a decrease in cash paid to suppliers and employees. Cash flows used in investing activities decreased to \$2.286 million in 2001 compared to \$30.441 million in 2000. Most of this decrease is attributable to a \$13.152 million decline in net loans, compared to a \$20.940 million increase in the prior year. Cash flows provided from financing activities increased to \$22.211 million as compared to \$15.014 million in 2000. Most of this increase resulted from a \$35.324 million net increase in deposits, compared to a \$9.162 million decrease in the prior year. Some of the increase in deposits were used to payoff Federal Home Loan Bank borrowings, which decreased \$16.743 million in 2001.

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY

Management’s Discussion

Maturities and Sensitivities of Loans to Interest Rates

The following schedule shows the composition of loans and the percentage of loans in each category at the dates indicated.

Years Ended December 31,	(In Thousands of Dollars)									
	2001		2000		1999		1998		1997	
Commercial, Financial and Agricultural	\$ 18,856	4.3%	\$ 17,916	4.0%	\$ 17,710	4.1%	\$ 21,140	5.3%	\$ 24,182	6.2%
Real Estate — Mortgage	261,268	60.0	267,529	59.3	257,246	59.6	230,664	58.0	211,231	54.5
Installment Loans to Individuals	155,346	35.7	165,266	36.7	156,797	36.3	145,753	36.7	152,110	39.3
Total Loans	\$435,470	100.0%	\$450,711	100.0%	\$431,753	100.0%	\$397,557	100.0%	\$387,523	100.0%

The following schedule sets forth maturities based on remaining scheduled repayments of principal for various categories of loans listed above as of December 31, 2001:

Types of Loans	(In Thousands of Dollars)		
	1 Year or less	1 to 5 Years	Over 5 Years
Commercial, Financial and Agricultural	\$5,927	\$9,283	\$3,646

The amounts of commercial, financial and agricultural loans as of December 31, 2001, based on remaining scheduled repayments of principal, are shown in the following table:

Loan Sensitivities	(In Thousands of Dollars)		
	1 Year or less	Over 1 Year	Total
Floating or Adjustable Rates of Interest	\$4,195	\$ 3,536	\$ 7,731
Fixed Rates of Interest	1,732	9,393	11,125
Total Loans	\$5,927	\$12,929	\$18,856

Loan Portfolio

Total net loans were \$429.028 million at year-end 2001 compared to \$444.596 million at year-end 2000. This represents a decrease of \$15.568 million or 3.5%. Loans comprised 73.5% of the Bank’s average earning assets in 2001, compared to 75% in 2000. The product mix in the Loan Portfolio shows Commercial Loans comprising 4.3%, Real Estate Mortgage Loans (Residential and Commercial) 60% and Installment Loans to Individuals 35.7% at December 31, 2000 compared with 4%, 59.3% and 36.7%, respectively, at December 31, 2000.

Loans contributed 81.1% of total interest income in 2001 and 81.3% in 2000. Loan yield was 8.36% in 2001, 64 basis points greater than the average rate for total earning assets. Management recognizes that while the Loan Portfolio holds some of the Bank’s highest yielding assets, it is inherently the most risky portfolio. Accordingly, Management attempts to balance credit risk versus return with conservative credit standards. Management has developed and maintains comprehensive underwriting guidelines and a loan review function which monitors credits during and after the approval process. To minimize risks associated with changes in the borrower’s future repayment capacity, the Bank generally requires scheduled periodic principal and interest payments on all types of loans and normally requires collateral.

Installment Loans to Individuals decreased from \$165.266 million on December 31, 2000 to \$155.346 million on December 31, 2001 representing a 6% decrease. Management continues to target the automobile dealer network to purchase indirect Installment Loans. Dealer paper was purchased using strict underwriting guidelines with an emphasis on quality. Indirect Loans comprise 88.7% of the Installment Loan Portfolio. Net loan losses on the Installment Loan portfolio were \$675 thousand in 2001 as compared to \$166 thousand in 2000. When these net loan losses are stated as a percentage of average installment loans outstanding, the Bank reported an increase from .11% in 2000 to .42% in 2001. Recoveries on installment loan losses in 2000 were \$608 thousand higher, primarily due to a favorable insurance settlement.

Real Estate Mortgage Loans dropped to \$261.268 million at December 31, 2001, a decrease of 2.3% from 2000. Most of this decrease took place in residential real estate loans. This portfolio consists of \$163.938 million of 1-4 family and multi-family residential properties and \$97.330 million in non-residential real estate properties, generally made within the Bank’s primary market area. The corporation originated both fixed rate and adjustable rate mortgages during 2001. Fixed rate terms are limited to fifteen year terms while adjustable rate products are offered with maturities up to thirty years.

Commercial Loans at December 31, 2001 increased 5.25% from year-end 2000 with outstanding balances of \$18.856 million. The Bank’s commercial loans are granted to customers within the immediate trade area of the Bank. The mix is diverse, covering a wide range of borrowers and business types. The Bank monitors and controls concentrations within a particular industry or segment of the economy. These loans are made for purposes such as equipment purchases, capital and leasehold improvements, the purchase of inventory, general working capital purposes and small business lines of credit.

Summary of Loan Loss Experience

The following is an analysis of the allowance for loan losses for the periods indicated:

Years Ended December 31,	(In Thousands of Dollars)				
	2001	2000	1999	1998	1997
Balance at Beginning of Year	\$ 6,115	\$ 5,778	\$ 5,492	\$ 5,107	\$ 4,877
Loan Losses:					
Commercial, Financial and Agricultural	(61)	(50)	(395)	(379)	(70)
Real Estate-Mortgage	(51)	(343)	(117)	(78)	(12)
Installment Loans to Individuals	(1,151)	(1,250)	(1,531)	(2,671)	(2,081)
Total Loan Losses	(1,263)	(1,643)	(2,043)	(3,128)	(2,163)
Recoveries on Previous Loan Losses:					
Commercial, Financial and Agricultural	0	23	15	3	7
Real Estate-Mortgage	34	8	32	9	40
Installment Loans to Individuals	476	1,084	472	394	241
Total Recoveries	510	1,115	519	406	288
Net Loan Losses	(753)	(528)	(1,524)	(2,722)	(1,875)
Provision Charged to Operations (1)	1,080	865	1,810	3,107	2,105
Balance at End of Year	\$ 6,442	\$ 6,115	\$ 5,778	5,492	\$ 5,107
Ratio of Net Loan Losses to Average Net Loans and Leases Outstanding	0.17%	0.12%	0.37%	0.70%	0.49%

(1) The provisions for possible credit losses charged to operating expense is based on management’s judgment after taking into consideration all factors connected with the collectability of the existing loan portfolio. Management evaluates the loan portfolio in light of economic conditions, changes in the nature and volume of the loan portfolio, industry standards and other relevant factors. Specific factors considered by management in determining the amounts charged to operating expenses include previous credit loss experience, the status of past due interest and principal payments, the quality of financial information supplied by loan customers and the general condition of the industries in the community to which loans have been made.

Provisions charged to operations amounted to \$1.08 million in 2001 and \$865 thousand in 2000. The balance in the allowance for credit losses is \$6.442 million or 1.48% of loans at December 31, 2001. This ratio has increased from the 1.32% reported five years ago at December 31, 1997. The allowance for credit losses as a percentage of nonperforming loans has decreased from 458.74% at December 31, 2000 to 226.51% in 2001.

The allowance for possible credit losses has been allocated according to the amount deemed to be reasonably necessary to provide for the possibility of losses being incurred within the following categories of loans as of the dates indicated:

December 31,	(In Thousands of Dollars)									
	2001		2000		1999		1998		1997	
	Amount	Loans to Total Loans	Amount	Loans to Total Loans	Amount	Loans to Total Loans	Amount	Loans to Total Loans	Amount	Loans to Total Loans
Commercial, Financial and Agricultural	\$1,841	4.3%	\$ 549	4.0%	\$1,182	4.1%	\$1,156	5.3%	\$2,240	6.2%
Real Estate-Mortgage	1,881	60.0	2,878	59.3	1,493	59.6	1,302	58.0	905	54.5
Installment Loans to Individuals	2,720	35.7	2,688	36.7	3,103	36.3	3,034	36.7	1,962	39.3
	\$6,442	100.0%	\$6,115	100.0%	\$5,778	100.0%	\$5,492	100.0%	\$5,107	100.0%

The allocation of the allowance as shown in the table above should not be interpreted as an indication that charge-offs in 2002 will occur in the same proportions or that the allocation indicates future charge-off trends. Furthermore, the portion allocated to each loan category is not the total amount available for future losses that might occur within such categories since the total allowance is a general allowance applicable to the entire portfolio.

Management’s Discussion

Loan Commitments and Lines of Credit

In the normal course of business, the banking subsidiary has extended various commitments for credit. Commitments for mortgages, revolving lines of credit and letters of credit generally are extended for a period of one month up to one year. Normally no fees are charged on any unused portion. Normally, an annual fee of two percent is charged for the issuance of a letter of credit.

Risk Elements

The following table sets forth aggregate loans in each of the following categories for the years indicated:

December 31,	(In Thousands of Dollars)				
	2001	2000	1999	1998	1997
Loans Accounted For on a Nonaccrual Basis	\$1,669	\$664	\$1,351	\$1,876	\$2,784
Loans Contractually Past Due 90 Days or More as to Interest or Principal Payments (Not Included in Nonaccrual Loans Above)	1,175	669	623	847	713
Loans Considered Troubled Debt Restructuring (Not Included in Nonaccrual Loans or Contractually Past Due Above)	0	0	0	0	0

Management is not aware of any loans not included in the table above where serious doubt exists as to the ability of the borrower to comply with the current loan repayment terms.

Nonaccrual loans are loans which are 90 days past due and with respect to which, in Management’s opinion, collection of interest is doubtful. These loans no longer accrue interest and are accounted for on a cash basis. Loans which are 90 days or more past due but continue to accrue interest are loans which, in Management’s opinion, are well secured and are in the process of collection.

As of December 31, 2001, there were no concentrations of loans exceeding 25% of total loans which are not disclosed as a category of loans. As of that date also, there were no other interest-earning assets that are either nonaccrual, past due, restructured or non-performing.

The following shows the amounts of contracted interest income and interest income reflected in income on loans accounted for on a nonaccrual basis and loans considered troubled debt restructuring for the periods indicated:

December 31,	(In Thousands of Dollars)				
	2001	2000	1999	1998	1997
Gross Interest Income That Would have been Recorded if the Loans had been Current in Accordance with Their Original Terms	\$50	\$107	\$137	\$197	\$295
Interest Income Included in Income on the Loans	0	4	73	44	128

Investment Securities

The investment securities portfolio increased 12.38% or \$15.814 million in 2001. Most of this increase was experienced in government agency securities, which grew \$15.037 million. Mortgage-backed securities decreased \$6.829 million as the Corporation experienced an increased level of paydowns as interest rates continued to fall during the year. Investments in securities of states and political subdivisions increased \$7.121 million. The Corporation uses these tax-exempt municipal securities to increase investment yields and as a vehicle to lower our overall income tax rate.

Our objective in managing the investment portfolio is to preserve and enhance corporate liquidity through investment in short and intermediate term securities which are readily marketable and of the highest credit quality. In general, investment in securities is limited to those funds the bank feels it has in excess of funds used to satisfy loan demand and operating considerations.

The following table shows the book value of investment securities by type of obligation at the dates indicated:

Type December 31,	(In Thousands of Dollars)		
	2001	2000	1999
U.S. Treasury Securities and Government Agencies	\$ 75,019	\$ 59,982	\$ 59,859
Obligations of States and Political Subdivisons	30,038	22,917	22,735
Mortgage-backed securities	19,119	25,948	29,731
Other Securities	19,399	18,914	4,496
	\$143,575	\$127,761	\$116,821

Management’s Discussion

A summary of debt securities held at December 31, 2001, classified according to maturity and including weighted average yield for each range of maturities is set forth below:

Type and Maturity Grouping	(In Thousands of Dollars) December 31, 2001		
	Book Value		Weighted Average Yield (1)
U.S. Treasury and U.S. Government Agency Securities:			
Maturing Within One Year	\$16,118		5.61%
Maturing After One Year But Within Five Years	56,276		5.23%
Maturing After Five Years But Within Ten Years	199		5.81%
Maturing After Ten Years	2,426		5.28%
Total U.S. Treasury and U.S. Government Agency Securities:	\$75,019		5.32%
Mortgage-Backed Securities			
Maturing Within One Year	\$ 101		7.03%
Maturing After One Year But Within Five Years	609		7.78%
Maturing After Five Years But Within Ten Years	2,149		7.52%
Maturing After Ten Years	16,260		6.16%
Total Mortgage-Backed Securities:	\$19,119		6.36%
Obligations of States and Political Subdivisions			
Maturing Within One Year	\$ 688		8.57%
Maturing After One Year But Within Five Years	3,186		7.44%
Maturing After Five Years But Within Ten Years	10,353		6.90%
Maturing After Ten Years	15,811		7.54%
Total Obligations of States and Political Subdivisions	\$30,038		7.33%
Corporate Debt Securities Maturing After One Year But Within Five Years	\$ 4,593		7.37%

(1) The weighted average yield has been computed by dividing the total interest income adjusted for amortization of premium or accretion of discount over the life of the security by the par value of the securities outstanding. The weighted average yield of tax-exempt obligations of states and political subdivisions has been calculated on a fully taxable equivalent basis. The amounts of adjustments to interest which are based on the statutory tax rate of 34% were \$19.752 thousand, \$79.364 thousand, \$239.752 thousand and \$407.644 thousand for the four ranges of maturities.

Deposits

Deposits represent the Corporation’s principal source of funds. The deposit base consists of demand deposits, savings and money market accounts and other time deposits. During the year, the Corporation’s average total deposits increased 3.03% from \$470.931 million in 2000 to \$485.202 million in 2001.

Average Deposits

The following table shows the classification of average deposits for the periods indicated:

Average Balances on December 31,	(In Thousands of Dollars)		
	2001	2000	1999
Noninterest-Bearing Demand Deposits	\$ 44,329	\$ 46,948	\$ 46,349
Interest-Bearing Demand Deposits	80,112	77,998	72,887
Savings Deposits	131,906	128,006	123,219
Time Deposits	228,855	217,979	224,366
Total Average Deposits	\$485,202	\$470,931	\$466,821

The following shows the average rate paid on the following deposit categories for the periods indicated:

Years ended December 31,	2001	2000	1999
Interest-Bearing Demand Deposits	1.55%	1.65%	1.64%
Savings	2.65%	3.00%	2.72%
Time Deposits	5.56%	5.63%	5.30%

The steady increase in total deposits over the years reflects managements' efforts to continue to insure the growth of the bank and to maintain a viable banking institution. During 2001, the bank has attracted deposits due to its effort to remain competitive in the local community as to rates paid for all types of deposits, particularly in the time deposit area. The bank has been at or near the top in interest rates paid to depositors throughout most of 2001.

**FARMERS NATIONAL BANC CORP. AND SUBSIDIARY**

**Management’s Discussion**

**Capital Resources**

The capital management function is a continuous process which consists of providing capital for both the current financial position and the anticipated future growth of the Corporation. Important to this process is internal equity generation, particularly through earnings retention. Internal capital generation is measured as the percent of return on equity multiplied by the percent of earnings retained. The return on average equity was 9.88%, 8.37% and 9.62% for 2001, 2000 and 1999, respectively. Total cash dividends declared in 2001 represented 85.64% of net income as compared to 82.99% in 2000 and 57.87% in 1999. The resulting internal equity growth percentage amounted to 1.42% in 2001 and 2000 compared to 4.05% in 1999.

The bank subsidiary, as a national bank, is subject to the dividend restrictions set forth by the Comptroller of the Currency. The Comptroller of the Currency must approve declaration of any dividends in excess of the sum of profits for the current year and retained net profits for the preceding two years (as defined). As of December 31, 2001 the bank subsidiary had \$31.44 million not available for distribution to the company as dividends without prior approval of the Comptroller of the Currency. The bank subsidiary is also required to maintain minimum amounts of capital to total “risk weighted” assets, as defined by the banking regulators. At December 31, 2001, the bank subsidiary is required to have a minimum Tier 1 and Total Capital ratios of 4.00% and 8.00%, respectively. The bank subsidiary’s actual Tier 1 and Total Capital ratios at that date were 16.24% and 17.49% respectively. The bank subsidiary’s leverage ratio at December 31, 2001 was 10.99%.

**Audit**

The Company’s internal auditor, who is responsible to the Audit Committee of the Board of Directors, reviews the results and performance of operating units within the Company for adequacy, effectiveness and reliability of accounting and reporting systems, as well as managerial and operating controls.

The Company utilizes the services of an internal audit outsourcing firm to assist the internal auditor in developing and implementing a comprehensive internal audit plan and program.

The Audit Committee consists of four non-employee directors whose duties include: consideration of the adequacy of the internal controls of the Company and the objectivity of financial reporting; inquiry into the number, extent, adequacy and validity of regular and special audits conducted by independent public accountants and the internal auditors; the recommendation to the Board of Directors of independent accountants to conduct the normal annual audit and special purpose audits as may be required; and reporting to the Board of Directors the Committee’s findings and any recommendation for changes in scope, methods or procedures of the auditing functions. The Audit Committee held five meetings during 2001.

**Compliance**

There are many activities in today’s banking that are subject to compliance regulations. The bank’s policies and procedures govern the way departments function and ensure fair, consistent and sound banking practices. When those policies and procedures are affected by new regulations, or regulation changes, the Compliance Department is responsible to change those policies involved, and is responsible to inform and train personnel. For example, many of the forms used in opening deposit accounts and loan accounts must subscribe to standards of format that are designed to protect and to inform the customer.

Compliance is an ongoing effort that requires continuous training. New regulations are introduced, changes to existing regulations are made, employees change positions, and new employees are hired. Assessment is made for the training needs of the bank and then clearly communicated to all appropriate bank employees through training programs. Quite often, several sessions are required to reach all persons who need training due to conflicting schedules.

From training, compliance objectives follow to monitoring or testing procedures. Monitoring can focus on a broad range of compliance issues and procedures, or it can be applied to limited areas. Often, the extent of monitoring relates to the complexity or length of the regulation. Upon the completion of monitoring projects, areas where training is needed may be revealed. The cycle of training, to monitoring, to training is ever continuing.

It is our bank’s mission to keep our employees well informed. We urge them to ask questions and to use initiative in becoming informed, as compliance regulations have become very complex. This all translates in efficient and better service for our customers.

QUARTERLY FINANCIAL DATA

Quarter Ended 2001	(In Thousands except Per Share Data)			
	March 31	June 30	September 30	December 31
Total interest income	\$11,492	\$11,578	\$11,490	\$11,126
Total interest expense	5,547	5,322	5,185	4,949
Net interest income	5,945	6,256	6,305	6,177
Provision for credit losses	270	270	270	270
Non-interest income	722	882	927	888
Non-interest expense	4,028	4,141	4,177	4,472
Income before federal income taxes	2,369	2,727	2,785	2,323
Federal income taxes	688	805	776	645
Net income	\$ 1,681	\$ 1,922	\$ 2,009	\$ 1,678
Per share data:				
Net income	\$ 0.14	\$ 0.16	\$ 0.17	\$ 0.14
Dividends	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.14

Quarter Ended 2000	(In Thousands except Per Share Data)			
	March 31	June 30	September 30	December 31
Total interest income	\$11,112	\$11,403	\$11,697	\$11,630
Total interest expense	5,068	5,221	5,528	5,733
Net interest income	6,044	6,182	6,169	5,897
Provision for credit losses	360	360	(65)	210
Non-interest income	610	680	815	887
Non-interest expense	4,289	4,322	4,174	5,238
Income before federal income taxes	2,005	2,180	2,875	1,336
Federal income taxes	610	629	846	563
Net income	\$ 1,395	\$ 1,551	\$ 2,029	\$ 773
Per share data:				
Net income	\$ 0.12	\$ 0.14	\$ 0.17	\$ 0.06
Dividends	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.13

Information as to Stock Prices and Dividends

The common stock of the Corporation trades on the OTC Bulletin Board under the symbol FMNB. There are approximately seven local and/or regional brokerage firms that are known to be relatively active in trading the Corporation’s common stock. Set forth in the accompanying table are per share prices at which common stock of the Corporation has actually been purchased and sold in transactions during the periods indicated, to the knowledge of the corporation. Also included in the table are dividends per share paid on the outstanding common stock and any stock dividends paid. As of December 31, 2001, there were 3,617 shareholders of record of common stock.

Market and Dividend Summary

Dividend Date	High	Low	Dividend
March 2000	\$14.00	\$13.50	\$0.12
June 2000	13.88	10.25	0.13
September 2000			2% Stock Dividend
September 2000	14.00	7.25	0.13
December 2000	9.88	7.13	0.13
March 2001	\$ 9.00	\$ 7.13	\$0.13
June 2001	10.60	8.00	0.13
September 2001	10.50	9.70	0.13
November 2001			2% Stock Dividend
December 2001	11.75	10.06	0.14

**FARMERS NATIONAL BANC CORP. AND SUBSIDIARY**

**Management Report**

January 18, 2002

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining effective internal control over financial reporting presented in conformity with both U.S. generally accepted accounting principles and the Federal Financial Institutions Examination Council instructions for Consolidated Reports of Condition and Income. The system contains monitoring mechanisms, and actions are taken to correct deficiencies identified.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Management assessed the bank’s internal control over financial reporting presented in conformity with both U.S. generally accepted accounting principles and call report instructions as of December 31, 2001. This assessment was based on criteria for effective internal control over financial reporting described in “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2001, Farmers National Banc Corp. and Subsidiary maintained effective internal control over financial reporting presented in conformity with both U.S. generally accepted accounting principles and call report instructions.

**COMPLIANCE WITH LAWS AND REGULATIONS**

Management is also responsible for compliance with the federal and state laws and regulations concerning dividend restrictions and federal laws and regulations concerning loans to insiders designated by the FDIC as safety and soundness laws and regulations.

Management assessed compliance by Farmers National Banc Corp and subsidiary bank with the designated laws and regulations relating to safety and soundness. Based on this assessment, management believes the bank complied, in all significant respects, with the designated laws and regulations related to safety and soundness for the year ended December 31, 2001.

FARMERS NATIONAL BANC CORP.  
AND SUBSIDIARY

/s/ Frank L. Paden  
Frank L. Paden, President and Secretary

/s/ Carl D. Culp  
Carl D. Culp, Executive Vice-President and Treasurer

January 18, 2002

[HBK LOGO]  
Park Place South, Suite 200  
155 South Park Avenue  
Warren, Ohio 44481  
(330) 394-3773 PHONE  
(330) 395-3713 FAX

Board of Directors  
Farmers National Banc Corp.  
Canfield, Ohio

Independent Auditors' Report

We have audited the accompanying consolidated balance sheets of Farmers National Banc Corp. and subsidiary as of December 31, 2001 and 2000 and the related consolidated statements of income and comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Farmers National Banc Corp. and subsidiary as of December 31, 2001 and 2000 and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2001 in conformity with U.S. generally accepted accounting principles.

/s/ Hill, Barth & King LLC  
Certified Public Accountants

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY

Consolidated Balance Sheets

December 31,	(In Thousands of Dollars)	
	2001	2000
ASSETS		
Cash and due from banks	\$ 23,871	\$ 23,350
Federal funds sold	41,542	11,358
TOTAL CASH AND CASH EQUIVALENTS	65,413	34,708
Long-term interest bearing deposits	0	99
Securities available for sale	143,575	127,761
Loans	435,470	450,711
Less allowance for credit losses	6,442	6,115
NET LOANS	429,028	444,596
Premises and equipment, net	13,009	12,549
Other assets	5,669	6,409
	\$656,694	\$626,122
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits (all domestic):		
Noninterest-bearing	\$ 52,754	\$ 48,935
Interest-bearing	450,890	419,401
TOTAL DEPOSITS	503,644	468,336
Borrowings:		
U. S. Treasury interest-bearing demand note	141	1,009
Securities sold under repurchase agreements	47,444	39,099
Federal Home Loan Bank advances	26,832	43,575
TOTAL BORROWINGS	74,417	83,683
Other liabilities and deferred credits	2,915	3,270
TOTAL LIABILITIES	580,976	555,289
Stockholders Equity:		
Common Stock — Authorized 25,000,000 shares; issued and outstanding 12,111,331 in 2001 and 11,604,252 in 2000	55,419	49,451
Retained earnings	20,672	22,226
Accumulated other comprehensive income	1,741	372
Treasury stock, at cost; 176,351 shares in 2001 and 87,835 shares in 2000	(2,114)	(1,216)
TOTAL STOCKHOLDERS EQUITY	75,718	70,833
	\$656,694	\$626,122

See accompanying notes to consolidated financial statements

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY

Consolidated Statements of Income and Comprehensive Income

Years ended December 31,	(In Thousands except Per Share Data)		
	2001	2000	1999
<b>INTEREST INCOME</b>			
Interest and fees on loans	\$37,052	\$37,252	\$35,105
Interest and dividends on securities:			
Taxable interest	5,483	5,733	5,480
Nontaxable interest	1,334	1,167	1,129
Dividends	897	627	263
Interest-bearing deposits in other banks	11	22	51
Interest on federal funds sold	909	1,041	603
<b>TOTAL INTEREST INCOME</b>	<b>45,686</b>	45,842	42,631
<b>INTEREST EXPENSE</b>			
Deposits	17,460	17,389	16,441
Borrowings	3,543	4,161	2,212
<b>TOTAL INTEREST EXPENSE</b>	<b>21,003</b>	21,550	18,653
<b>NET INTEREST INCOME</b>	<b>24,683</b>	24,292	23,978
Provision for credit losses	1,080	865	1,810
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>	<b>23,603</b>	23,427	22,168
<b>OTHER INCOME</b>			
Service charges on deposit accounts	2,098	1,857	1,789
Investment security gains (losses)	112	34	(4)
Gain on sale of mortgage loans, net	0	4	12
Brokerage income	121	210	148
Other operating income	1,088	887	605
<b>TOTAL OTHER INCOME</b>	<b>3,419</b>	2,992	2,550
	<b>27,022</b>	26,419	24,718
<b>OTHER EXPENSES</b>			
Salaries and employee benefits	9,002	8,870	8,245
Net occupancy expense of premises	1,055	1,039	953
Furniture and equipment expense, including depreciation	1,261	1,179	1,102
State and local taxes	856	767	783
Merger related expense	0	1,192	0
Other operating expenses	4,644	4,976	4,781
<b>TOTAL OTHER EXPENSES</b>	<b>16,818</b>	18,023	15,864
<b>INCOME BEFORE FEDERAL INCOME TAXES</b>	<b>10,204</b>	8,396	8,854
<b>FEDERAL INCOME TAXES</b>	<b>2,914</b>	2,648	2,695
<b>NET INCOME</b>	<b>7,290</b>	5,748	6,159
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX:</b>			
Unrealized gains (losses) on securities	1,369	1,909	(2,067)
<b>COMPREHENSIVE INCOME</b>	<b>\$ 8,659</b>	\$ 7,657	\$ 4,092
<b>NET INCOME PER SHARE</b>	<b>\$ 0.61</b>	\$ 0.49	\$ 0.53

See accompanying notes to consolidated financial statements

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY

Consolidated Statements of Stockholders’ Equity

Years ended December 31,	(In Thousands of Dollars)		
	2001	2000	1999
<b>COMMON STOCK</b>			
Balance at beginning of year	\$49,451	\$45,155	\$38,455
Stock options exercised	0	89	27
Stock dividend, including fractional shares	2,601	1,461	2,914
Common stock issued	3,367	2,746	3,759
Balance at end of year	55,419	49,451	45,155
<b>RETAINED EARNINGS</b>			
Balance at beginning of year	22,226	22,709	23,033
Net income	7,290	5,748	6,159
Dividends declared:			
\$ .53 cash dividends per share in 2001, \$.51 in 2000 and \$.42 in 1999	(6,243)	(4,770)	(3,564)
Stock dividends	(2,601)	(1,461)	(2,919)
Balance at end of year	20,672	22,226	22,709
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>			
Balance at beginning of year	372	(1,537)	530
Net change in unrealized appreciation (depreciation) on available for sale securities, net of income taxes	1,369	1,909	(2,067)
Balance at end of year	1,741	372	(1,537)
<b>TREASURY STOCK, AT COST</b>			
Balance at beginning of year	(1,216)	(92)	0
Treasury shares acquired	(898)	(1,124)	(92)
Balance at end of year	(2,114)	(1,216)	(92)
TOTAL STOCKHOLDERS EQUITY AT END OF YEAR	\$75,718	\$70,833	\$66,235

See accompanying notes to consolidated financial statements

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31,	(In Thousands of Dollars)		
	2001	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received	\$ 48,196	\$ 47,373	\$ 44,791
Fees and commissions received	3,380	2,929	2,518
Mortgage loans originated for sale	0	(205)	(316)
Proceeds from sales of mortgage loans	0	209	182
Interest paid	(21,268)	(21,249)	(18,619)
Cash paid to suppliers and employees	(16,209)	(16,927)	(15,114)
Income taxes paid	(3,319)	(3,021)	(2,549)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,780	9,109	10,893
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in interest-bearing time deposits maturing in more than 90 days	99	100	199
Proceeds from maturities and repayments of securities available for sale	27,301	23,534	36,349
Proceeds from sales of securities available for sale	9,395	2,483	11,704
Purchases of securities available for sale	(50,924)	(34,921)	(40,340)
Net decrease (increase) in loans made to customers	13,152	(20,940)	(37,565)
Purchases of premises and equipment	(1,309)	(697)	(1,023)
NET CASH USED IN INVESTING ACTIVITIES	(2,286)	(30,441)	(30,676)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase (decrease) in deposits	35,324	(9,162)	6,394
Net increase in short-term borrowings	7,421	1,891	7,467
Net increase (decrease) in Federal Home Loan Bank Borrowings	(16,743)	24,639	13,593
Purchase of Treasury Stock	(898)	(1,088)	(92)
Dividends paid	(6,260)	(4,101)	(3,747)
Proceeds from stock options	0	89	27
Proceeds from sale of common stock	3,367	2,746	3,754
NET CASH PROVIDED BY FINANCING ACTIVITIES	22,211	15,014	27,396
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,705	(6,318)	7,613
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning of year	34,708	41,026	33,413
End of year	\$ 65,413	\$ 34,708	\$ 41,026
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATIONS</b>			
Net income	\$ 7,290	\$ 5,748	\$ 6,159
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	794	864	799
Amortization and accretion	2,158	2,242	2,039
Provision for credit losses	1,080	865	1,810
(Gain) Loss on sale of investment securities	(112)	(34)	4
Other	(430)	(575)	82
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 10,780	\$ 9,109	\$ 10,893
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS</b>			
Supplemental schedule of noncash investing and financing activities:			
Unrealized loss on available for sale securities	\$ 444	\$ 734	\$ 2,696
Merger related transfer of equity securities to treasury stock	0	37	0

See accompanying notes to consolidated financial statements

**FARMERS NATIONAL BANC CORP. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2001, 2000 and 1999**

**NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principals of Consolidation:**

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, The Farmers National Bank of Canfield. All significant intercompany balances and transactions have been eliminated.

**Nature of Operations:**

The Company’s wholly owned subsidiary, The Farmers National Bank of Canfield, operates under a national bank charter and provides full banking services. As a national bank, the Bank is subject to regulation of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The area served by the Bank is the northeastern region of Ohio and service is provided at seventeen (17) locations.

**Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:**

Cash and cash equivalents include cash on hand, due from banks and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

**Securities Available for Sale:**

Securities available for sale are carried at fair value. Fair value is based on market price if available. If market price is not available, fair value is based on broker quotations. Deferred income taxes are provided on any unrealized appreciation or decline in value. Such appreciation or decline in value, net of deferred taxes, is reflected as a separate component of stockholders equity. Gains and losses are determined using the specific identification method. The company does not utilize a trading account.

**Loans:**

Interest on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest income is ordinarily discontinued when a loan becomes 90 days past due as to principal or interest; however, management may elect to continue the accrual when the estimated net realizable value of collateral is sufficient to cover the principal balance and the accrued interest. When interest accruals are discontinued, interest credited to income in the current year is reversed. When the loan is determined to be uncollectible, interest accrued in prior years and the principal are charged to the allowance for loan losses. This policy applies to the bank’s installment, real estate and commercial loans. Loans held for sale are reported at the lower of cost or market, on an aggregate basis.

**Loan Origination Fees and Costs:**

Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield on the related loan.

**Impaired Loans:**

Impaired loans are classified according to the Financial Accounting Standards Board Statement 114, “Accounting by creditors for impairment of loans”. Under this standard, the reserve for loan losses related to loans that are considered impaired is based on discounted cash flows using the loan’s initial effective interest rate and the fair value of the collateral for certain collateral dependent loans.

**Allowance for Credit Losses:**

The allowance for credit losses represents the amounts which, in management’s judgment, are adequate to absorb charge-offs of existing loans which may become uncollectible. The allowance is based on management’s judgment taking into consideration past loss experience, reviews of individual credits, current economic conditions and other factors considered relevant by management at the financial statement date. While management uses the best information available to establish the allowance, future adjustments to the allowance may be necessary, which may be material, if economic conditions differ substantially from the assumptions used in estimating the allowances. If additions to the original estimate of the allowance for credit losses are deemed necessary, they will be reported in earnings in the period in which they become reasonably estimable.

**Premises and Equipment:**

Premises and equipment are stated at cost. Depreciation is computed on the straight-line method.

**Intangibles:**

Purchased intangibles, primarily goodwill and core deposit value, are recorded at cost and amortized over the estimated life. Goodwill is being amortized over 15 years and the core deposit is being amortized over 8 years. Intangible amortization of \$97,000 was recorded in 2001, 2000 and 1999.

**Income Taxes:**

Income taxes, based on filing a consolidated return with the Company’s subsidiary, are provided for amounts currently due and deferred amounts arising from temporary differences between the financial accounting and income tax basis of assets and liabilities. Deferred taxes are computed on the liability method as prescribed in Statement of Financial Accounting Standards (SFAS) No. 109, “Accounting for Income Taxes”.

Advertising:

The company expenses the costs of advertising as incurred. Advertising expense for the years ended December 31, 2001, 2000 and 1999 was \$428 thousand, \$399 thousand and \$417 thousand, respectively.

Per Share Amounts:

Earnings per share are based on weighted average shares outstanding. Average shares outstanding, per share amounts and reference to number of shares in notes to consolidated financial statements have been restated to give effect to stock dividends. Weighted average shares outstanding were 11,957,538 for 2001, 11,671,753 for 2000 and 11,525,085 for 1999.

Comprehensive Income:

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income consists solely of unrealized gains and losses on securities available for sale.

New Accounting Pronouncements:

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133 (SFAS 133), “Accounting for Derivative Instruments and Hedging Activities”. This statement establishes accounting and reporting standards for derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 1999, the FASB issued SFAS 137 which deferred the effective date of SFAS 133 to years beginning after June 15, 2000. This statement, which was adopted January 1, 2001, did not impact the company’s financial condition and results of operations.

In June 2001, the FASB issued Statement No. 141 (SFAS 141), “Business Combinations.” This statement requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method, rather than the pooling-of-interests method. The adoption of this statement will only impact the company’s financial statements if it enters into a business combination.

Also in June 2001, the FASB issued Statement No. 142 (SFAS 142), “Goodwill and Other Intangible Assets”, which addresses the accounting for such assets arising from prior and future combinations. Upon adoption of SFAS 142, goodwill arising from combinations will no longer be amortized, but rather will be assessed regularly for impairment, with any such impairment recognized as a reduction to earnings in the period identified. Existing goodwill and intangible assets on the company’s consolidated financial statements are recognized under Statement No. 72, “Accounting for Certain Acquisitions of Banking or Thrift Institutions”, and therefore are excluded from the scope of SFAS No. 142. As a result, this statement did not impact the company’s financial condition and results of operations.

NOTE B — SECURITIES AVAILABLE FOR SALE

Securities available for sale at December 31, 2001 and 2000 are summarized as follows:

	(In Thousands of Dollars)	
	2001	2000
U.S. Treasury and U.S. Government agencies	\$ 75,019	\$ 59,982
Corporate debt securities	4,593	4,513
Mortgage-backed securities	19,119	25,948
Obligations of states and political subdivisions	30,038	22,917
Total debt securities	128,769	113,360
Equity securities	14,806	14,401
TOTALS	\$143,575	\$127,761

Net unrealized gains (losses) for securities available for sale at December 31, 2001 and 2000 are summarized below:

	(In Thousands of Dollars)		
	UNREALIZED GAINS	UNREALIZED LOSSES	NET UNREALIZED GAINS (LOSSES)
December 31, 2001			
U.S. Treasury and U.S. Government agencies	\$2,050	\$(101)	\$1,949
Corporate debt securities	178	(40)	138
Mortgage-backed securities	343	(43)	300
Obligations of states and political subdivisions	248	(251)	(3)
Total debt securities	2,819	(435)	2,384
Equity securities	273	(9)	264

TOTALS	\$3,092	\$(444)	\$2,648
December 31, 2000			
U.S. Treasury and U.S. Government agencies	\$ 705	\$(325)	\$ 380
Corporate debt securities	87	(24)	63
Mortgage-backed securities	170	(161)	9
Obligations of states and political subdivisions	225	(179)	46
Total debt securities	1,187	(689)	498
Equity securities	111	(45)	66
TOTALS	\$1,298	\$(734)	\$ 564

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements

The fair value and amortized cost of debt securities available for sale by contractual maturities at December 31, 2001 are summarized below. Mortgage-backed securities are not due at a single maturity date; periodic payments are received on the securities based on the payment patterns of the underlying collateral. For purposes of the maturity table, mortgage-backed securities have been allocated over the maturity groupings based on the final maturities of the securities. These securities may mature earlier than their final maturities because of principal prepayments.

	(In Thousands of Dollars)	
	FAIR VALUE	AMORTIZED COST
Due in 1 year or less	\$ 16,907	\$ 16,604
Due after one year through five years	64,399	62,531
Due after five years through ten years	12,701	12,600
Due after ten years	34,762	34,650
TOTALS	\$128,769	\$126,385

Securities with a carrying value of \$77 million at December 31, 2001 and \$68 million at December 31, 2000 were pledged to secure deposits in accordance with federal and state requirements and to secure repurchase agreements sold.

NOTE C — LOANS

Following is a summary of loans:

December 31,	(In Thousands of Dollars)	
	2001	2000
Real Estate — Mortgage	\$260,389	\$268,320
Installment Loans to Individuals	154,470	162,675
Commercial, Financial and Agricultural	18,841	17,916
Subtotal	433,700	448,911
Net origination and deferred loan fees	1,770	1,800
TOTAL LOANS	\$435,470	\$450,711

Nonperforming loans have not been separately classified because such loans are not material compared to total loans and nonaccrued interest is not material in relation to net income.

Certain directors, executive officers and associates of such persons were loan customers during 2001. Such loans were made in the ordinary course of business under normal credit terms and do not represent more than a normal risk of collection. Following is an analysis of the amount of loans in which the aggregate of the total loans to any such person exceeded \$60 thousand during 2001:

	(In Thousands of Dollars)
Total loans at December 31, 2000	\$1,934
New loans	947
Repayments	(442)
Total loans at December 31, 2001	\$2,439

NOTE D — ALLOWANCE FOR CREDIT LOSSES

Following is an analysis of changes in the allowance for credit losses for the years ended December 31:

	(In Thousands of Dollars)		
	2001	2000	1999
Balance at beginning of year	\$ 6,115	\$ 5,778	\$ 5,492
Additions:			
Provision for credit losses	1,080	865	1,810
Recoveries on loans previously charged off	510	1,115	519
TOTAL ADDITIONS	7,705	7,758	7,821
Credits charged off	(1,263)	(1,643)	(2,043)
Balance at end of year	\$ 6,442	\$ 6,115	\$ 5,778

The allowance for federal income tax purposes amounted to \$1.8 million at December 31, 2001 which is \$4.642 million less than the allowance for financial accounting purposes.

NOTE E — PREMISES AND EQUIPMENT

Following is a summary of premises and equipment:

December 31,	(In Thousands of Dollars)	
	2001	2000
Land	\$ 2,665	\$ 2,665
Premises	11,476	11,416
Equipment	6,852	5,658
Leasehold Improvements	195	195
	21,188	19,934
Less accumulated depreciation	(8,179)	(7,385)
NET BOOK VALUE	\$13,009	\$12,549

Depreciation expense was \$794 thousand for the year ended December 31, 2001, \$864 thousand for 2000 and \$727 thousand for 1999.

NOTE F — INTEREST-BEARING DEPOSITS

	(In Thousands of Dollars)
2002	\$179,399
2003	20,473
2004	5,154
2005	9,547
2006 and thereafter	4,810
TOTAL	\$219,383

	(In Thousands of Dollars)
Three months or less	\$15,213
Three to six months	17,953
Six to twelve months	16,778
Over twelve months	7,902
TOTAL	\$57,846

NOTE G — SECURITIES SOLD UNDER REPURCHASE AGREEMENTS AND UNUSED LINES OF CREDIT

The bank subsidiary enters into sales of securities under repurchase agreements (reverse repurchase agreements). The securities, although held in safekeeping outside the bank subsidiary, were under the bank subsidiary’s control. The outstanding balances and related information are summarized as follows:

	(In Thousands of Dollars)		
	2001		2000
Book value including accrued interest	\$58,545		\$47,904
Market value	59,424		47,455
Maximum month end balance during the year	47,444		43,084
Average balance during the year	42,287		39,705
Average year end interest rate	3.12%		5.42%
Average interest rate during the year	3.80%		5.08%

The bank subsidiary has access to borrowing facilities at the Federal Home Loan Bank, which totaled \$68.074 million at December 31, 2001.

NOTE H — FEDERAL HOME LOAN BANK ADVANCES

Federal Home Loan Bank advances at December 31, 2001 are secured by a blanket pledge of residential mortgage loans totaling \$83.595 million and the Bank’s investment in FHLB stock.

(In Thousands of Dollars)	December 31,			
	2001		2000	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Fixed-rate advances	\$25,603	6.45%	\$39,559	6.64%
Variable-rate advances	1,229	2.71%	4,016	5.38%
Total advances	\$26,832	6.28%	\$43,575	6.52%

Scheduled repayments of FHLB advances are as follows:

Maturing in:	(In Thousands of Dollars)
2002	\$12,306
2003	2,270
2004	2,678
2005	1,647
2006	1,512
Later years	6,419
	<hr/>
TOTAL	\$26,832
	<hr/>

NOTE I — COMMITMENTS AND CONTINGENT LIABILITIES

The bank subsidiary utilizes equipment and leases a branch location under a noncancelable operating lease extending to 2004. Rental expense charged to operations totaled \$44 thousand for 2001, \$36 thousand for 2000 and \$36 thousand for 1999. Following is a summary of future minimum rental payments under operating leases that have initial or remaining noncancelable terms in excess of one year as of December 31, 2001:

Year ending:	(In Thousands of Dollars)
December 31, 2002	\$ 43
December 31, 2003	43
December 31, 2004	37
	<hr/>
TOTAL	\$123
	<hr/>

The bank subsidiary is required to maintain noninterest-bearing reserve balances with the Federal Reserve Bank. The average reserve balance was \$9.602 million in 2001 and \$12.489 million in 2000.

Notes to Consolidated Financial Statements

The bank subsidiary is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the consolidated balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the bank subsidiary has in particular classes of financial instruments.

The bank subsidiary’s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual notional amount of those instruments. The bank subsidiary uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

CONTRACT OR NOTIONAL AMOUNT	(In Thousands of Dollars)	
	2001	2000
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$43,251	\$42,250
Standby letters of credit and financial guarantees written	\$ 1,053	\$ 742

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The bank subsidiary evaluates customers creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the bank subsidiary upon extension of credit, is based on management’s credit evaluation of the counter-party. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the bank subsidiary to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Most of the bank subsidiary’s business activity is with a diversified customer base located within Mahoning, Trumbull and Columbiana Counties in Ohio. The concentrations of credit by type of loan are presented in Note C.

NOTE J — STOCKHOLDERS EQUITY

On March 30, 2001, the shareholders of the company approved a resolution which amended the company’s Restated Articles of Incorporation to increase the number of authorized shares of common stock from 12.5 million shares to 25 million shares.

In December 1998, the Board of Directors adopted an incentive stock option plan for the Directors, officers and employees which was approved by stockholders at their annual meeting on March 25, 1999. An aggregate of 375,000 common shares were reserved for future issuance under the plan. The incentive stock options have expiration terms of ten years subject to certain extensions and early terminations. The per share exercise price of an incentive stock option shall be, at a minimum, equal to the fair value of a share of common stock on the date the incentive stock option is granted.

At December 31, 2000, no options were outstanding. Stock options exercised in 2000 and 1999 were from the stock option plan of Security Financial Corp., which terminated upon its merger with the company.

On November 13, 2001, incentive stock options were granted for the purchase of 56,000 shares, exercisable at the market price of \$11 per share. The recipients of the stock options vest over a five year period. At December 31, 2001, none of the stock options were exercisable, and all initial stock options granted remained outstanding.

The company accounts for stock based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” and related interpretations, under which no compensation cost for stock options is recognized for stock option awards granted at or above fair market value. Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-Based Compensation,” established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As options are granted, the Company has elected to remain on its current method of accounting as described above, and has adopted the disclosure requirements of SFAS No.123. The pro forma net income impact under SFAS No. 123 is not material in 2001.

NOTE K — REGULATORY MATTERS

The bank subsidiary, as a national bank, is subject to the dividend restrictions set forth by the Comptroller of the Currency. The Comptroller of the Currency must approve declaration of any dividends in excess of the sum of profits for the current year and retained net profits for the preceding two years (as defined). As of December 31, 2001, the bank subsidiary had \$14.66 million of retained earnings available for distribution and \$31.44 million not available for distribution to the company as dividends without prior approval of the Comptroller of the Currency.

The bank subsidiary is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory-and possibly additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the bank subsidiary’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the bank subsidiary must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The bank subsidiary’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the bank subsidiary to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2001, that the bank subsidiary meets all capital adequacy requirements to which it is subject.

As of December 31, 2001, the most recent notification from the Office of the Comptroller of the Currency categorized the bank subsidiary as “well capitalized” under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution’s capital category.

The following table reflects various measures of capital at year-end:

	(In Thousands of Dollars)					
	Actual		Requirement For Capital Adequacy Purposes:		To be "Well Capitalized" Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2001						
Total Capital (to Risk-Weighted Assets)	\$76,290	17.49%	\$34,888	8.00%	\$43,609	10.00%
Tier I Capital (to Risk-Weighted Assets)	\$70,827	16.24%	\$17,444	4.00%	\$26,166	6.00%
Tier I Capital (to Average Assets)	\$70,827	10.99%	\$25,778	4.00%	\$32,223	5.00%
As of December 31, 2000						
Total Capital (to Risk-Weighted Assets)	\$72,895	16.73%	\$34,858	8.00%	\$43,572	10.00%
Tier I Capital (to Risk-Weighted Assets)	\$67,440	15.48%	\$17,429	4.00%	\$26,143	6.00%
Tier I Capital (to Average Assets)	\$67,440	10.88%	\$24,792	4.00%	\$30,990	5.00%

Notes to Consolidated Financial Statements

NOTE L — RETIREMENT PLAN

The company has a qualified 401(k) deferred compensation, noncontributory Retirement Savings Plan. All employees of the bank who have completed at least one year of service and meet certain other eligibility requirements are eligible to participate in the plan. Under the terms of the Plan, employees may voluntarily defer a portion of their annual compensation, not to exceed 15%, pursuant to section 401(k) of the Internal Revenue Code. The company matches a percentage of the participants’ voluntary contributions up to 6% of gross wages. In addition, at the discretion of the Board of Directors, the company may make an additional profit sharing contribution to the plan. Total contributions were \$390 thousand, \$386 thousand and \$362 thousand for the years ended December 31, 2001, 2000 and 1999, respectively. In 2000 and 1999, these contributions included the cost of Security Dollar Bank’s retirement plan, which was merged into the company’s plan.

NOTE M — FEDERAL INCOME TAXES

The provision for income taxes (credit) consists of the following:

Years ended December 31,	(In Thousands of Dollars)		
	2001	2000	1999
Current	\$3,105	\$2,733	\$2,814
Deferred	(191)	(85)	(119)
TOTALS	\$2,914	\$2,648	\$2,695

Following is a reconciliation between federal income taxes at statutory rates and actual taxes based on income before federal income taxes:

Years ended December 31,	(In Thousands of Dollars)					
	2001		2000		1999	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Statutory tax	\$3,571	35%	\$2,938	35%	\$3,091	35%
Effect of nontaxable interest	(548)	(5)	(378)	(4)	(404)	(5)
Other	109	1	88	1	8	0
ACTUAL TAX	\$2,914	29%	\$2,648	32%	\$2,695	30%

Deferred taxes (credit) result from certain temporary differences in the recognition of income and expenses for financial reporting and income tax purposes. The sources and tax effects of significant temporary differences are as follows:

Years ended December 31,	(In Thousands of Dollars)		
	2001	2000	1999
Depreciation	\$ 105	\$ (43)	\$ 0
Provision for credit losses	(173)	(115)	(52)
Deferred loan fees and origination costs	(179)	(53)	(63)
Federal Home Loan Bank dividends	75	71	61
Deferred compensation	11	(16)	(11)
Other	(30)	71	54
TOTALS	\$(191)	\$ (85)	\$(119)

Deferred tax liabilities (assets) are comprised of the following at December 31:

	(In Thousands of Dollars)	
	2001	2000
Deferred tax assets:		
Allowance for credit losses	\$(1,461)	\$(1,454)
Deferred compensation	(250)	(261)
Other	(55)	(35)
Gross deferred tax assets	\$(1,766)	\$(1,750)

Deferred tax liabilities:

Depreciation	567	462
Mark-to-market adjustment securities available for sale	907	192
Federal Home Loan Bank dividends	349	275
Deferred loan fees	0	165
Other	36	124
Gross deferred tax liabilities	1,859	1,218
NET DEFERRED TAX (ASSET) LIABILITY	\$ 93	\$ (532)

No valuation allowance for deferred tax assets was recorded at December 31, 2001 and 2000. Federal income taxes (benefit) applicable to investment securities gains in 2001 and 2000 were \$38 thousand and \$12 thousand, respectively. Federal income taxes (benefit) applicable to other comprehensive income were \$715 thousand, \$984 thousand and \$(1.061) million for 2001, 2000 and 1999, respectively.

NOTE N — DISCLOSURE ABOUT FAIR VALUE  
OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments at December 31, 2001:

Cash and cash equivalents:

The carrying amounts in the consolidated balance sheets of cash and cash equivalents approximates their fair value.

Long-term interest bearing deposits:

The carrying amount is a reasonable estimate of fair value.

Investment securities:

The fair value of securities available for sale equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Notes to Consolidated Financial Statements

Loans:

For certain homogeneous categories of loans, such as credit card receivables, and other consumer loans, fair value is estimated using the quoted market prices for similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposits:

The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Securities sold under repurchase agreements:

The carrying amount for securities sold under repurchase agreements approximates their fair value.

Federal Home Loan Bank advances:

The fair values of the advances are estimated using discounted cash flow analyses based on the current incremental borrowing rates for similar types of borrowing arrangements.

Accrued interest:

The carrying amounts of accrued interest approximate fair value.

Commitments to extend credit, standby letters of credit and financial guarantees written:

The fair value of commitments is estimated using the fees currently charged to enter similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counter-parties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counter-parties at the reporting date.

The estimated fair values of the company’s financial instruments as of December 31, 2001 and 2000 are as follows:

	(In Thousands of Dollars)			
	2001		2000	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets:				
Cash and cash equivalents	\$ 65,413	\$ 65,413	\$ 34,708	\$ 34,708
Investment securities:				
Available for sale	143,575	144,007	127,761	127,914
Loans — Net	429,028	453,748	444,596	442,569
Long-term interest bearing deposits	0	0	99	99
Accrued interest receivable	3,637	3,637	4,040	4,040
TOTAL FINANCIAL ASSETS	\$641,653	\$666,805	\$611,204	\$609,330
Financial liabilities:				
Deposits	\$503,644	\$507,664	\$468,336	\$469,602
Securities sold under repurchase agreements	47,444	47,444	39,099	39,099
Federal Home Loan Bank advances	26,832	28,993	43,575	43,776
Accrued interest payable	1,287	1,287	1,552	1,552
TOTAL FINANCIAL LIABILITIES	\$579,207	\$585,388	\$552,562	\$554,029
Unrecognized financial instruments:				
Commitments to extend credit	\$ 43,251	\$ 43,251	\$ 42,250	\$ 42,250
Standby letters of credit and financial guarantees	1,053	1,053	742	742

Notes to Consolidated Financial Statements

NOTE O — CONDENSED FINANCIAL INFORMATION

Below is condensed financial information of Farmers National Banc Corp. (parent company only). In this information, the parent’s investment in bank subsidiary is stated at cost plus equity in undistributed earnings of the subsidiary since acquisition. This information should be read in conjunction with the consolidated financial statements and related notes.

	(In Thousands of Dollars)	
	December 31, 2001	December 31, 2000
BALANCE SHEETS		
Assets:		
Cash	\$ 1,858	\$ 1,265
Investment in bank subsidiary	71,416	68,117
Securities available for sale	1,699	1,800
Other securities	561	395
Other	41	120
	\$75,575	\$71,697
Liabilities:		
Accounts payable	\$ 1,417	\$ 1,163
Stockholders equity:		
Common stock	55,419	49,451
Retained earnings	20,672	22,226
Unrealized appreciation of available for sale securities, net of applicable income taxes	181	73
Treasury stock, at cost; 176,351 shares in 2001 and 87,835 shares in 2000	(2,114)	(1,216)
TOTAL STOCKHOLDERS EQUITY	74,158	70,534
	\$75,575	\$71,697

STATEMENTS OF INCOME		(In Thousands of Dollars)		
Years ended	December 31, 2001	December 31, 2000	December 31, 1999	
Income:				
Equity in net income of subsidiary	\$3,298	\$ 5,388	\$5,973	
Dividends from subsidiary bank	4,099	1,140	125	
Interest and dividends on securities	103	188	221	
Investment security gains	0	72	0	
TOTAL INCOME	7,500	6,788	6,319	
Other expenses	(210)	(1,063)	(183)	
Income tax benefit	0	23	23	
NET INCOME	\$7,290	\$ 5,748	\$6,159	

STATEMENTS OF CASH FLOWS		(In Thousands of Dollars)		
Years ended	December 31, 2001	December 31, 2000	December 31, 1999	
Cash flows from operating activities:				
Net income	\$ 7,290	\$ 5,748	\$ 6,159	
Adjustments to reconcile net income to net cash provided by operating activities:				
Income from subsidiary	(3,298)	(5,388)	(5,973)	
Other	263	(78)	0	
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,255	282	186	
Cash flows from investing activities:				
Investment in subsidiary	0	0	(570)	
Proceeds from maturities of investment securities available for sale	1,800	3,080	3,800	
Proceeds from sales of investment securities available for sale	0	176	0	
Proceeds from return of capital on other securities	0	3	300	
Purchases of other securities and securities available for sale	(1,671)	(973)	(3,720)	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	129	2,286	(190)	
Cash flows from financing activities:				
Purchase of treasury stock	(898)	(1,088)	(92)	
Dividends paid	(6,260)	(4,101)	(3,747)	
Proceeds from sale of common stock	3,367	2,835	3,782	
NET CASH USED IN FINANCING ACTIVITIES	(3,791)	(2,354)	(57)	
NET INCREASE (DECREASE) IN CASH	593	214	(61)	
CASH				
Beginning of year	1,265	1,051	1,112	
End of year	\$ 1,858	\$ 1,265	\$ 1,051	

## **FARMERS NATIONAL BANC CORP. AND SUBSIDIARY**

### **BOARD OF DIRECTORS**

Photo of executives

#### **Annual Meeting Notice**

The annual meeting of Shareholders will be held at Kenneth F. McMahon Hall at the Mill Creek MetroParks Experimental & Educational Building at 7574 Columbiana-Canfield Rd., Canfield, OH 44406, at 3:30 p.m. local time, on Thursday, March 28, 2002.

#### **Common Stock Listing**

Farmers National Banc Corp. common stock trades on the OTC Bulletin Board under the symbol FMNB.OB. At December 31, 2001, there were 12,100,000 shares outstanding and approximately 3,600 shareholders.

#### **Dividend Payments**

Subject to the approval of the Board of Directors, quarterly cash dividends are customarily payable on or about the 30th day of March, June, September and December.

#### **Dividend Reinvestment Plan (DRIP)**

Registered shareholders can purchase additional shares of Farmers' common stock through Farmers Dividend Reinvestment Plan. Participation is voluntary and allows for automatic reinvestment of cash dividends, supplemental cash contributions, not to exceed \$1,000 per quarter and the safekeeping of stock certificates. To obtain our Plan prospectus, contact Susan Miller at Toll Free 1-888-988-3276 or email [exec@fnbcanfield.com](mailto:exec@fnbcanfield.com).

#### **Direct Deposit of Cash Dividends**

Shareholders have the option of having their cash dividends sent directly to their financial institution for deposit into their savings or checking account.

#### **Stock Transfer Agent**

Farmers National Bank  
Attention: Susan Miller, AVP,  
Corporate Services Administration  
P.O. Box 555 Canfield, OH 44406  
Toll Free 1.888.988.3276

#### **Form 10-K**

A copy of the Annual Report filed with the Securities and Exchange Commission will be provided to any shareholder on request to the Corporation, to the attention:

Mr. Carl D. Culp, Treasurer  
Farmers National Banc Corp.  
20 South Broad Street, P.O. Box 555  
Canfield, OH 44406  
Toll Free 1.888.988.3276

Farmers National

Banc Corp. Officers

William D. Stewart

Chairman

Frank L. Paden

President & Secretary

Carl D. Culp

Executive Vice President & Treasurer

Donald F. Lukas

Senior Vice President

Farmers National

Bank Officers

Frank L. Paden

President & CEO

Carl D. Culp

Executive Vice President

Cashier & CFO

Donald F. Lukas

Senior Vice President

Bank Systems

Mark L. Graham

Vice President

Loan Administrator

Bradley S. Henderson

Vice President

Branch Adm. & Security

Anthony F. Peluso

Vice President

Human Resources

Barbara C. Fisher

Vice President

Deposit Operations & Marketing

Fremont J. Camerino

Vice President

Niles

Daniel G. Cerroni

Vice President

Niles

Joseph E. Chapman

Vice President

Niles

Richard G. Ferraro

Vice President

Niles

**Thomas G. Hatthorn**  
*Vice President*  
*Niles*

**Roy A. Jackson**  
*Vice President*  
*Indirect Lending*

**Frederick M. Kotheimer**  
*Vice President*  
*Loan Review*

**Kevin T. Lamar**  
*Vice President*  
*Niles*

**Paul D. Rhodes**  
*Vice President*  
*Niles*

**Alfred F. Ridel**  
*Vice President*  
*Consumer Loans*

**James G. Swift**  
*Vice President*  
*Niles Operations Center*

**Robert E. True**  
*Vice President*  
*Niles*

**Larry E. White**  
*Vice President*  
*Salem*

**Keith A. Leonard**  
*Assistant Vice President*  
*Austintown*

**Richard R. Lytle**  
*Assistant Vice President*  
*Youngstown Rd.*

**Susan E. Miller**  
*Assistant Vice President*  
*Corporate Services Administration*

**Mary Jane Naples**  
*Assistant Vice President*  
*Niles Operations Center*

**Phyllis A. Welton**  
*Assistant Vice President*  
*Niles Operation Center*

**Andrew A. Baird**  
*Assistant Cashier*  
*Canfield Data Center*

**Pamela J. Cleghorn**  
*Assistant Cashier*  
*Niles*

**Matthew W. Close**  
*Assistant Cashier*

*Damascus*

**Janine E. Cox**  
*Assistant Cashier*  
*Credit Administration*

**Charlene K. Daugherty**  
*Assistant Cashier*  
*Human Resources*

**David E. Enterline**  
*Assistant Cashier*  
*Network Administrator*

**Merle C. Garritano**  
*Assistant Cashier*  
*Canfield*

**Geraldine J. Gbur Polas**  
*Assistant Cashier*  
*Columbiana*

**Lynnita J. Himes**  
*Assistant Cashier*  
*Western Reserve*

**Linda M. Liston**  
*Assistant Cashier*  
*Compliance/CRA/BSA*

**Diane C. Moran**  
*Assistant Cashier*  
*Girard*

**Rob L. Mort**  
*Corporate Acct. Officer*  
*Canfield*

**Joanie F. Orr**  
*General Ledger*  
*Accounting Officer*

**Patricia C. Rosko**  
*Assistant Cashier*  
*Lake Milton*

**Robert L. Rozeski**  
*Assistant Cashier*  
*Leetonia*

**Barbara L. Sitler**  
*Assistant Cashier*  
*Cornersburg*

**Deborah N. Testa**  
*Assistant Cashier*  
*Eastwood*

**Dennis S. Vitt**  
*Assistant Cashier*  
*Poland*

**Dorothy J. Weeden**  
*Assistant Cashier*  
*Canfield*

FARMERS NATIONAL BANC CORP. AND SUBSIDIARY  
BRANCH LOCATIONS

[MAP GRAPHIC]

**AUSTINTOWN** 22 North Niles-Canfield Road • Youngstown, OH 44515 • 330-792-1411

**BOARDMAN** 102 West Western Reserve Road • Boardman, OH 44512 • 330-726-8896

**CANFIELD, MAIN OFFICE** 20 South Broad Street • Canfield, OH 44406 • 330-533-3341

**COLONIAL PLAZA** 401 East Main Street • Canfield, OH 44406 • 330-533-2686

**COLUMBIANA** 340 State Rt. 14 • Columbiana, OH 44408 • 330-482-1974

**CORNEERSBURG** 3619 S. Meridian Road • Youngstown, OH 44511 • 330-793-3971

**DAMASCUS** 29053 State Rt. 62 • Damascus, OH 44619 • 330-537-4004

**GIRARD** 121 North State Street • Girard, OH 44420 • 330-545-9791

**LAKE MILTON** 17817 Mahoning Avenue • Lake Milton, OH 44429 • 330-654-3351

**LEETONIA** 16 Walnut Street • Leetonia, OH 44431 • 330-427-2436

**MINERAL RIDGE** 3826 South Main Street • Mineral Ridge, OH 44440 • 330-544-7430

**NILES** 1 South Main Street • Niles, OH 44446 • 330-544-7400

**NILES DRIVE UP** 170 East State Street • Niles, OH 44446 • 330-544-7420

**NILES OPERATIONS CENTER** 51 South Main Street • Niles, OH 44446 • 330-544-7400

**NILES** 5845 Youngstown-Warren Road • Niles, OH 44446 • 330-544-7410

**POLAND** 106 McKinley Way West • Poland, OH 44514 • 330-757-7508

**SALEM** 1858 East State Street • Salem, OH 44460 • 330-332-1558

**WARREN** 2910 Youngstown-Warren Road • Warren, OH 44484 • 330-369-5400

[INSIDE BACK COVER]

[OUTSIDE BACK COVER]

[FARMERS NATIONAL BANC CORP. LOGO]

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