



# FARMERS

NATIONAL BANC CORP.

Acquisition of Cortland Bancorp  
June 23, 2021



# Disclosure Statement

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## Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about the financial condition, results of operations, asset quality trends and profitability of Farmers National Banc Corp. ("Farmers"). Forward-looking statements are not historical facts but instead express only management's current expectations and forecasts of future events or long-term goals, many of which, by their nature, are inherently uncertain and outside of Farmers' control. Forward-looking statements are preceded by terms such as "expects," "believes," "anticipates," "intends" and similar expressions, as well as any statements related to future expectations of performance or conditional verbs, such as "will," "would," "should," "could" or "may." Farmers' actual results and financial condition may differ, possibly materially, from those indicated in these forward-looking statements. Factors that could cause Farmers' actual results to differ materially from those described in the forward-looking statements include impacts from the COVID-19 pandemic on local, national and global economic conditions; higher default rates on loans made to our customers related to the COVID-19 pandemic and its impact on our customers' operations and financial condition; unexpected changes in interest rates or disruptions in the mortgage markets related to COVID-19 or other responses to the health crisis; and the other factors contained in Farmers' periodic reports and registration statements filed with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2020, and Quarterly Report on Form 10-Q, which have been filed with the Securities and Exchange Commission and are available on Farmers' website ([www.farmersbankgroup.com](http://www.farmersbankgroup.com)) and on the Securities and Exchange Commission's website ([www.sec.gov](http://www.sec.gov)). Forward-looking statements are not guarantees of future performance and should not be relied upon as representing management's views as of any subsequent date. Farmers undertakes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise.

## Use of Non-GAAP Financial Measures

This presentation contains certain financial information determined by methods other than in accordance with accounting principles generally accepted in the United States ("GAAP"). These non-GAAP financial measures include "Core Deposits" and "Tangible Common Equity ratio." Farmers believes that these non-GAAP financial measures provide both management and investors a more complete understanding of Farmers' deposit profile and capital. These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures. Because not all companies use the same calculation of "Core Deposits" and "Tangible Common Equity ratio," this presentation may not be comparable to other similarly titled measures as calculated by other companies.

# Strategic Partnership to Drive Value

## Logical In-Market Combination

- Increases deposit market share to #2 in Trumbull County and #3 in Mahoning County
- Expands market presence in attractive Cleveland suburban markets
- Enhances economies of scale and ability to expand product offerings to CLDB's customer base

## Shared Vision & Culture

- Shared commitment to customers, communities and employees
- Combination creates a stronger Northeastern Ohio based financial institution offering a diversified mix of banking, wealth management and insurance products

## Enhances Executive Team & Board

- 2 directors from CLDB's Board to join FMNB's Board at closing
- Jim Gasior and Tim Carney to join FMNB's executive team to ease transition and promote future growth of the pro forma franchise

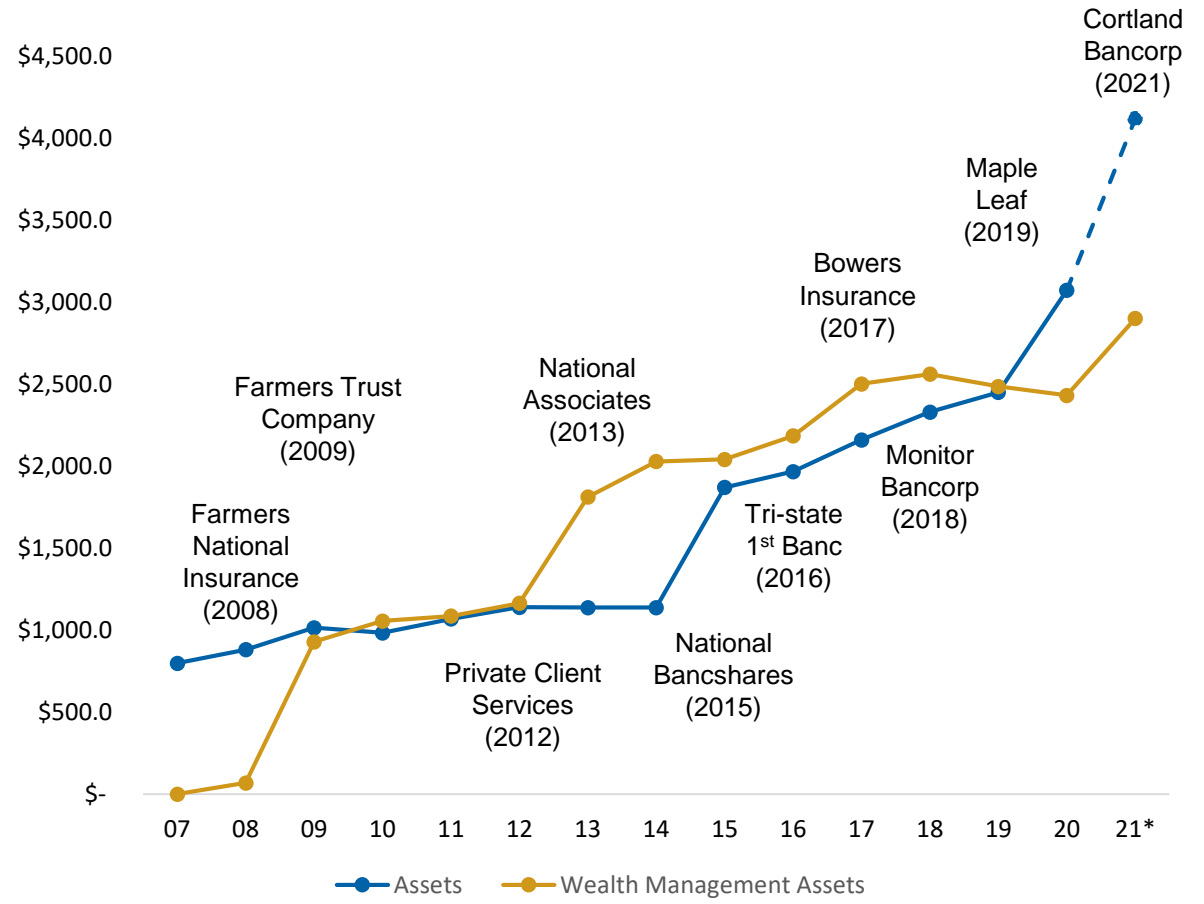
## Financially Attractive

- Increases assets ~ 25% to \$4.1 billion at close
- Double-digit EPS accretion anticipated (~13.5% fully phased in)
- Tangible book value earn-back of approximately 3.3 years (crossover method)
- Internal rate of return > 20%

# Proven Acquisition History and Strategy

Long-term strategy of value-enhancing acquisitions

- Six acquisitions in the past six years\*
- Target franchises with similar culture, compelling reputation, and strong customer base
- Focus on businesses that support cross sell opportunities and diversify footprint into compelling banking markets
- Manageable initial tangible book value dilution
- Reasonable price with a currency mix of cash and stock



Graph in millions. \* 2021 at March 31, 2021, and includes Cortland Bancorp

\* Including CLOB

# Pro Forma Franchise

## Pro Forma Highlights

**\$4.1B**  
assets<sup>(1)</sup>

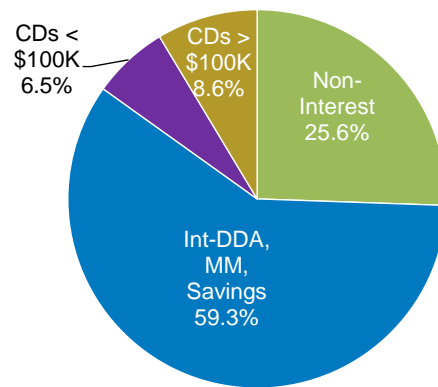
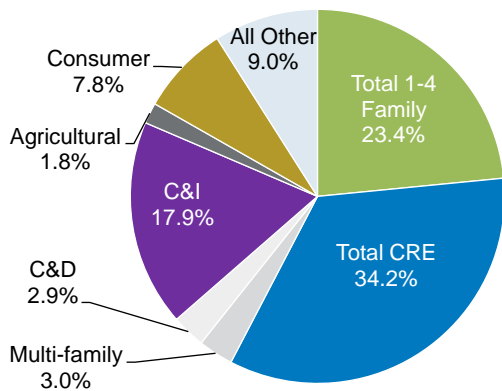
**\$2.6B**  
loans<sup>(1)</sup>

**\$3.3B**  
deposits<sup>(1)</sup>

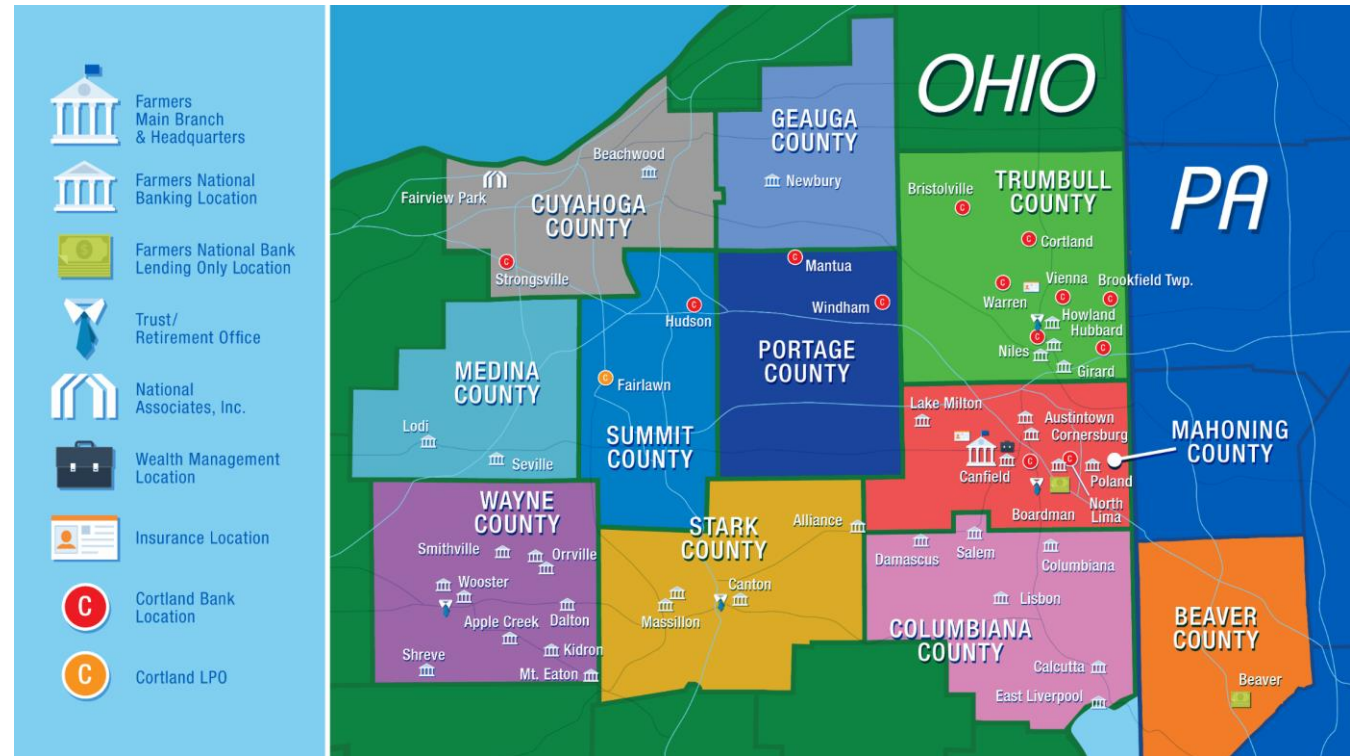
**48**  
locations<sup>(2)</sup>

**\$572M**  
market cap<sup>(3)</sup>

## Pro Forma Loans & Deposits<sup>(4)</sup>



## Pro Forma Branch Map



Source: S&P Global Market Intelligence

(1) Estimated at close

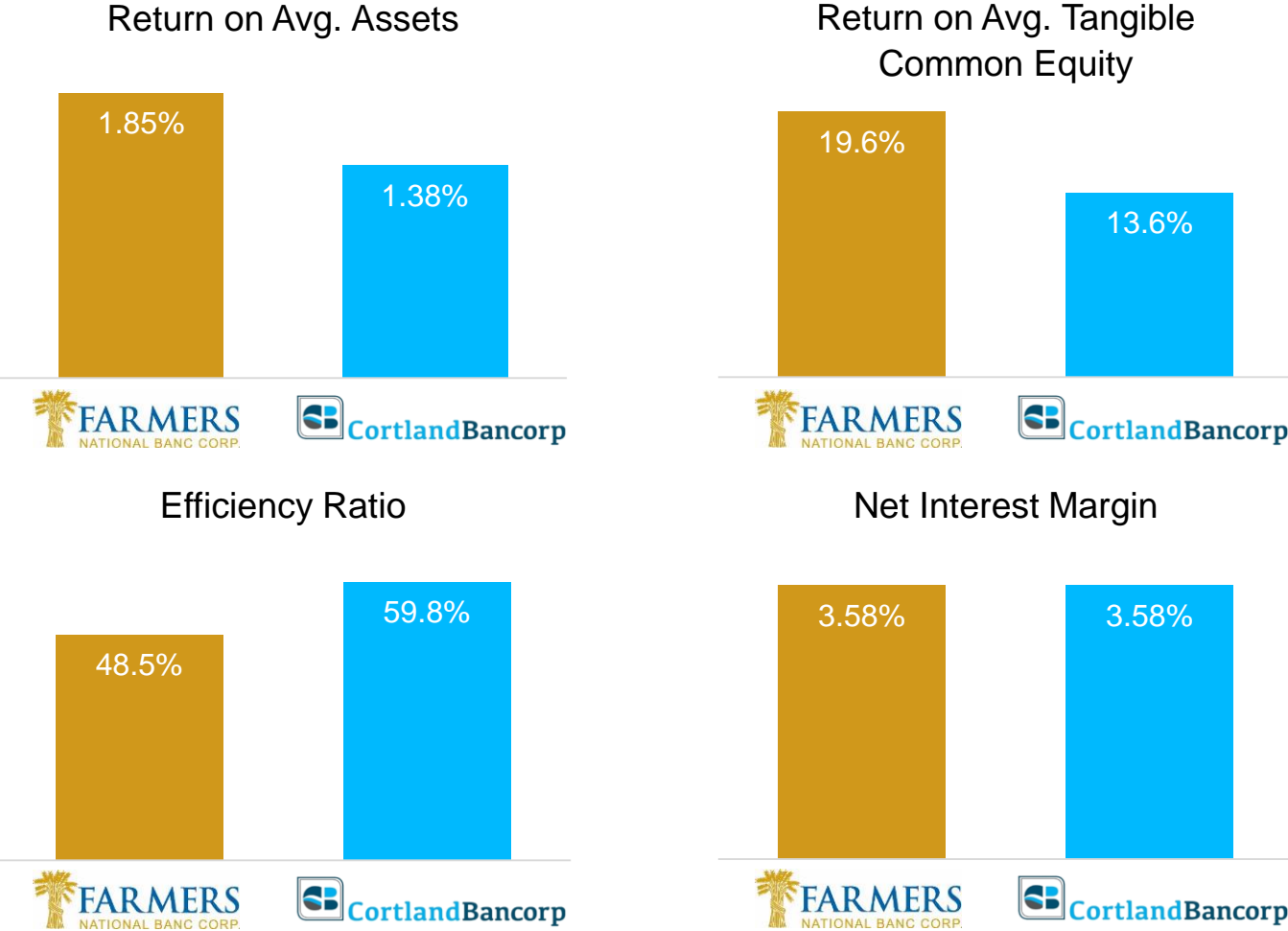
(2) Assumes two location closures

(3) Based on FMNB's closing stock price of \$16.87 on June 22, 2021

(4) Based on bank-level data as of March 31, 2021

# Combining Two High Performing Franchises

## Q1 2021 Performance



Source: S&P Global Market Intelligence

# Cortland Bancorp Financial Highlights

(Dollars in thousands)

	2018	2019	2020	2021Q1	'18 - YTD CAGR
<b>Balance Sheet</b>					
Total Assets	714,666	737,162	821,305	791,705	4.7%
Total Loans HFI	514,392	518,716	556,760	518,618	0.4%
Total Deposits	604,419	618,381	700,510	680,311	5.4%
<b>Profitability</b>					
Pre-Tax Pre-Provision Income	10,975	9,356	11,309	3,247	7.8%
Net Income	8,835	7,282	8,263	2,766	10.5%
PTPP ROAA (%)	1.63	1.34	1.46	1.62	
ROAA (%)	1.31	1.04	1.07	1.38	
ROATCE (%)	14.4	10.3	10.7	13.6	
Efficiency Ratio (%)	64.8	67.0	62.5	59.8	
Net Interest Margin (%)	3.76	3.79	3.32	3.58	
<b>Asset Quality and LLR</b>					
NPAs / Assets (%)	1.42	1.16	0.93	0.99	
LLR / Gross Loans (%)	0.81	0.85	1.07	1.15	
NCOs / Avg. Loans (%)	0.23	0.09	0.00	(0.00)	

Source: S&P Global Market Intelligence

Note: Profitability CAGRs are calculated based off 2021 Q1 annualized figures

# Pro Forma Deposit Market Share

- Enhances FMNB's market share to #2 in Trumbull County and #3 in Mahoning County
- Increases presence in Cuyahoga County, the state's 2<sup>nd</sup> most populous county with 1.2 million people and provides entry into Summit County (541k people) and Portage County (162k people)
- Establishes presence in attractive Cleveland suburbs of Hudson (\$135 thousand median household income) and Strongsville (\$88 thousand median household income)

## Trumbull County, OH

2020 Rank	Institution (State)	2020		
		Branches (#)	Deposits (\$000)	Market Share (%)
1	Huntington Bancshares Inc. (OH)	19	1,153,978	33.9
<b>2</b>	<b>Pro Forma</b>	<b>11<sup>(1)</sup></b>	<b>740,508</b>	<b>21.8</b>
2	JPMorgan Chase & Co. (NY)	5	506,577	14.9
3	Cortland Bancorp (OH)	7	425,248	12.5
4	Farmers National Banc Corp. (OH)	5	315,260	9.3
5	The PNC Finl Svcs Grp (PA)	4	314,023	9.2
6	Premier Financial Corp. (OH)	3	198,169	5.8
7	F.N.B. Corp. (PA)	3	192,757	5.7
8	Citizens Financial Group Inc. (RI)	1	96,998	2.9
9	Middlefield Banc Corp. (OH)	1	64,103	1.9
10	First Niles Financial Inc. (OH)	1	60,182	1.8
<b>Total For Institutions in Market</b>		<b>51</b>	<b>3,399,933</b>	<b>100</b>

## Mahoning County, OH

2020 Rank	Institution (State)	2020		
		Branches (#)	Deposits (\$000)	Market Share (%)
1	Huntington Bancshares Inc. (OH)	21	2,039,156	32.1
2	Premier Financial Corp. (OH)	12	1,402,670	22.1
<b>3</b>	<b>Pro Forma</b>	<b>9<sup>(1)</sup></b>	<b>1,161,024</b>	<b>18.3</b>
3	Farmers National Banc Corp. (OH)	8	1,019,114	16.0
4	The PNC Finl Svcs Grp (PA)	6	626,389	9.9
5	JPMorgan Chase & Co. (NY)	5	571,589	9.0
6	F.N.B. Corp. (PA)	4	375,500	5.9
7	Cortland Bancorp (OH)	2	141,910	2.2
8	KeyCorp (OH)	2	125,670	2.0
9	Citizens Financial Group Inc. (RI)	1	50,168	0.8
10	Woodforest Financial Grp Inc. (TX)	1	4,180	0.1
<b>Total For Institutions in Market</b>		<b>62</b>	<b>6,356,346</b>	<b>100</b>

Source: S&P Global Market Intelligence; Census.gov

Note: Deposit data as of June 30, 2020 per the FDIC's Summary of Deposits; population data based on S&P Global Market Intelligence; median household income data sourced from Census.gov website

(1) Assumes one location closure



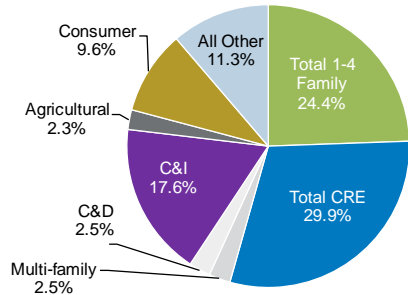


# Pro Forma Loan & Deposit Composition

## Loan Composition (\$000s)

### The Farmers National Bank of Canfield

Total Loans & Leases: \$2,040,986

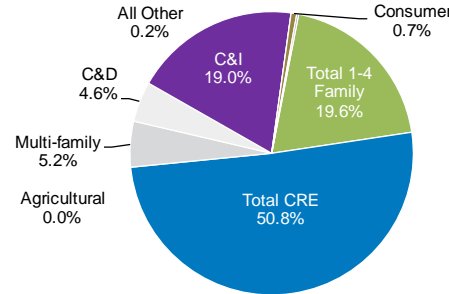


Yield on Loans

4.63%

### The Cortland Savings & Banking Company

Total Loans & Leases: \$525,195

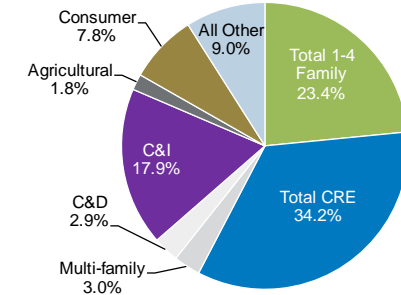


Yield on Loans

4.54%

### Pro Forma

Total Loans & Leases: \$2,566,181



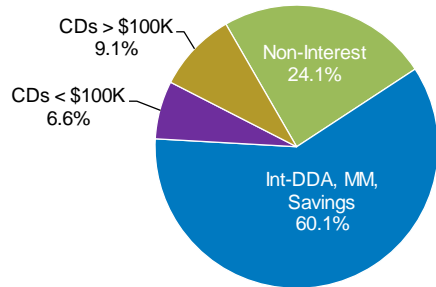
Yield on Loans

4.61%

## Deposit Composition (\$000s)

### The Farmers National Bank of Canfield

Total Deposits: \$2,843,508

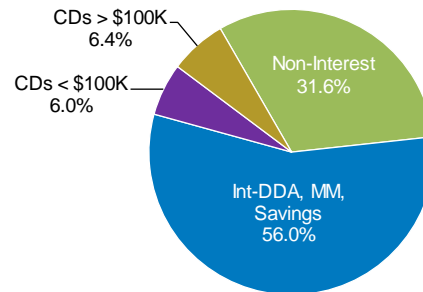


Cost of Total Deps.

0.32%

### The Cortland Savings & Banking Company

Total Deposits: \$680,627

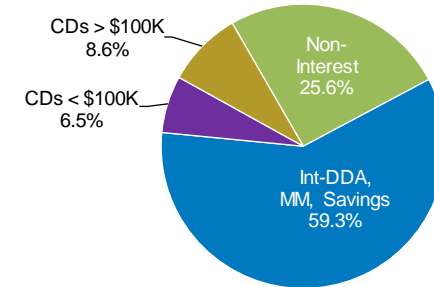


Cost of Total Deps.

0.27%

### Pro Forma

Total Deposits: \$3,524,135



Cost of Total Deps.

0.31%

# Transaction Terms

## Consideration

- 1.75 shares of FMNB common stock or \$28.00 per share in cash for each share of CLDB, subject to 75% of being exchanged for stock and 25% being exchanged for cash
- Aggregate Deal Value of \$124 million or \$29.14 per share<sup>(1)</sup>

## Multiples

- Deal Value / Tangible Book Value: 153%
- Deal Value / LTM Net Income: 12.8x
- Deal Value / YTD Ann. Net Income: 11.2x
- Core Deposit Premium<sup>(2)</sup>: 6.7%

## Board / Management

- 2 directors from CLDB's Board to join FMNB's Board at closing
- Jim Gasior to join FMNB as Senior EVP and Corporate Development Officer
- Tim Carney to join FMNB as Senior EVP and Chief Banking Officer

## Timing / Approvals

- Expected closing 4<sup>th</sup> quarter 2021
- CLDB shareholder approval required
- Customary regulatory approvals

(1) Based on FMNB's closing stock price of \$16.87 on June 22, 2021

(2) Core deposit premium defined as aggregate deal value less Cortland's tangible common equity divided by Cortland's deposits less time deposit accounts with balances over \$100,000

# Modeling Assumptions

## Credit Mark

- Total gross credit mark of \$11 million (2.3% of CLDB's MRQ gross loan portfolio excluding loans held for sale and PPP loans)
  - \$4.6 million allocated to purchase credit deteriorated (PCD) loans
  - \$6.4 million allocated to non-PCD loans

## Interest Rate Marks

- ~\$3.2 million write-up of loan portfolio
- ~\$0.9 million write-up of deposit portfolio
- ~\$1.9 million write down of trust preferred securities

## Other Marks

- \$2.8 million core deposit intangible amortized over 10 years using the sum-of-the-year's digits method
- \$1.0 million write down of fixed assets
- AOCI amortized straight line over 4 years

## Cost Savings & Restructuring Charges

- ~39% costs savings with 75% phased in 2022 and 100% thereafter
- ~\$11.1 million merger charges

# Financial Impact Summary

## Estimated Pro Forma Balance Sheet

- \$4.1 billion in assets (25% increase)
- \$2.6 billion of loans (26% increase)
- \$3.3 billion of deposits (26% increase)

## Per Share Impact

- 12.4% projected accretion to FMNB's 2022 EPS (75% cost savings phased in) and 13.5% projected accretion on a fully phased in basis<sup>(1)</sup>
- TBV per share dilution of ~6.4% earned back in ~3.3 years using the cross over method<sup>(2)</sup>

## Pro Forma Capital Ratios<sup>(2)</sup>

- Leverage: ~9.1%
- CET1: ~13.0%
- Total Risk Based Capital: ~14.6%

(1) Excluding one time merger charges

(2) Assumes all one-time merger charges of approximately \$11.1 million booked at close

# Comprehensive Due Diligence

- Completed a coordinated comprehensive due diligence review with executives from FMNB & CLDB, along with advisors & consultants
- Detailed credit review completed by internal team and augmented with a 3<sup>rd</sup> party independent review
- Track record of successful integration and realization of cost savings

## Loan Review Process



- 66% of total commercial loans
- 90% review of special mention and substandard loans
- 93% of classified loans
- 72% of “worst-pass” rated loans
- 100% of credits over \$1 million
- 100% of COVID sensitive loans

## Diligence Focus Areas

