

FARMERS NATIONAL BANC CORP /OH/

Form 10-Q

November 08, 2011

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q  
Quarterly Report Under Section 13 or 15(d) of the  
Securities Exchange Act of 1934  
For the Quarterly period ended September 30, 2011  
Commission file number 001-35296  
**FARMERS NATIONAL BANC CORP.**  
(Exact name of registrant as specified in its charter)**

OHIO  
(State or other jurisdiction of incorporation or organization)

34-1371693  
(I.R.S. Employer Identification No)

20 South Broad Street  
Canfield, OH  
(Address of principal executive offices)

44406  
(Zip Code)

(330) 533-3341

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2011
Common Stock, No Par Value	18,729,720 shares

**PART I FINANCIAL INFORMATION**

**Item 1 Financial Statements (Unaudited)**

Included in Part I of this report:

Farmers National Banc Corp. and Subsidiaries

<b><u>Consolidated Balance Sheets</u></b>	1
<b><u>Consolidated Statements of Income and Comprehensive Income</u></b>	2
<b><u>Consolidated Statements of Cash Flows</u></b>	3
<b><u>Notes to Unaudited Consolidated Financial Statements</u></b>	4-21
<b><u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	22-34
<b><u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u></b>	34
<b><u>Item 4 Controls and Procedures</u></b>	35

**PART II OTHER INFORMATION**

<b><u>Item 1 Legal Proceedings</u></b>	35
<b><u>Item 1A Risk Factors</u></b>	35
<b><u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	35
<b><u>Item 3 Defaults Upon Senior Securities</u></b>	35
<b><u>Item 4 (Removed and Reserved)</u></b>	35
<b><u>Item 5 Other Information</u></b>	35
<b><u>Item 6 Exhibits</u></b>	36

**SIGNATURES** 37

**10-Q Certifications**

**Section 906 Certifications**

- Exhibit 31.1
- Exhibit 31.2
- Exhibit 32.1

Exhibit 32.2

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

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**Table of Contents****CONSOLIDATED BALANCE SHEETS  
FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES  
(Unaudited)**

	(In Thousands of Dollars)	
	<b>Sept 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 10,930	\$ 11,666
Federal funds sold and other	83,959	25,639
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>94,889</b>	<b>37,305</b>
Securities available for sale	382,853	314,347
Loans	567,995	590,367
Less allowance for loan losses	10,984	9,307
<b>NET LOANS</b>	<b>557,011</b>	<b>581,060</b>
Premises and equipment, net	14,676	13,944
Bank owned life insurance	14,842	11,529
Goodwill	3,709	3,709
Other intangibles	2,844	3,211
Other assets	15,581	17,646
<b>TOTAL ASSETS</b>	<b>\$ 1,086,405</b>	<b>\$ 982,751</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Deposits:		
Noninterest-bearing	\$ 89,854	\$ 77,728
Interest-bearing	716,344	683,322
<b>TOTAL DEPOSITS</b>	<b>806,198</b>	<b>761,050</b>
Short-term borrowings	139,084	105,634
Long-term borrowings	23,302	24,733
Other liabilities	3,963	3,286
<b>TOTAL LIABILITIES</b>	<b>972,547</b>	<b>894,703</b>
Commitments and contingent liabilities		

Stockholders' Equity:

Common Stock Authorized 25,000,000 shares; issued 18,729,733 in 2011 and 15,699,184 in 2010	104,137	96,142
Retained (deficit) earnings	(346)	14,502
Accumulated other comprehensive income	10,067	2,907
Treasury stock, at cost; 13 shares in 2011 and 2,053,149 in 2010	0	(25,503)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>113,858</b>	<b>88,048</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,086,405</b>	<b>\$ 982,751</b>

See accompanying notes

**Table of Contents**

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES**  
**(Unaudited)**

	(In Thousands except Per Share Data)			
	For the Three Months Ended		For the Nine Months Ended	
	<b>Sept 30,</b>	<b>Sept 30,</b>	<b>Sept 30,</b>	<b>Sept 30,</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>INTEREST AND DIVIDEND INCOME</b>				
Loans, including fees	\$ 8,303	\$ 9,329	\$ 25,123	\$ 27,753
Taxable securities	2,121	2,183	6,038	6,685
Tax exempt securities	725	584	2,193	1,759
Dividends	48	45	147	145
Federal funds sold and other interest income	21	19	40	43
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>11,218</b>	<b>12,160</b>	<b>33,541</b>	<b>36,385</b>
<b>INTEREST EXPENSE</b>				
Deposits	1,660	2,068	5,042	7,233
Short-term borrowings	75	210	276	729
Long-term borrowings	248	267	748	818
<b>TOTAL INTEREST EXPENSE</b>	<b>1,983</b>	<b>2,545</b>	<b>6,066</b>	<b>8,780</b>
<b>NET INTEREST INCOME</b>	<b>9,235</b>	<b>9,615</b>	<b>27,475</b>	<b>27,605</b>
Provision for loan losses	700	1,500	3,650	5,878
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>8,535</b>	<b>8,115</b>	<b>23,825</b>	<b>21,727</b>
<b>NONINTEREST INCOME</b>				
Service charges on deposit accounts	562	556	1,535	1,531
Bank owned life insurance income, including death benefits	143	128	421	385
Trust fees	1,354	1,254	4,057	3,683
Security gains	0	1,161	0	1,158
Impairment of equity securities	(11)	0	(11)	0
Insurance agency commissions	28	32	120	204
Investment commissions	215	132	669	372
Other operating income	405	434	1,216	1,421
<b>TOTAL NONINTEREST INCOME</b>	<b>2,696</b>	<b>3,697</b>	<b>8,007</b>	<b>8,754</b>
<b>NONINTEREST EXPENSES</b>				
Salaries and employee benefits	4,184	4,209	12,855	12,285

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Occupancy and equipment	1,030	925	2,868	2,742
State and local taxes	233	224	718	680
Professional fees	257	379	760	1,069
Advertising	265	199	621	476
FDIC insurance	171	340	763	960
Intangible amortization	112	145	367	435
Core processing charges	253	266	743	742
Other operating expenses	1,672	1,230	4,388	3,705
<b>TOTAL NONINTEREST EXPENSES</b>	<b>8,177</b>	<b>7,917</b>	<b>24,083</b>	<b>23,094</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>3,054</b>	<b>3,895</b>	<b>7,749</b>	<b>7,387</b>
<b>INCOME TAXES</b>	<b>683</b>	<b>1,041</b>	<b>1,571</b>	<b>1,652</b>
<b>NET INCOME</b>	<b>\$ 2,371</b>	<b>\$ 2,854</b>	<b>\$ 6,178</b>	<b>\$ 5,735</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX:</b>				
Change in net unrealized gains on securities, net of reclassifications	3,348	1,537	7,160	5,592
<b>COMPREHENSIVE INCOME</b>	<b>\$ 5,719</b>	<b>\$ 4,391</b>	<b>\$ 13,338</b>	<b>\$ 11,327</b>
<b>NET INCOME PER SHARE basic and diluted</b>	<b>\$ 0.13</b>	<b>\$ 0.21</b>	<b>\$ 0.34</b>	<b>\$ 0.42</b>
<b>DIVIDENDS PER SHARE</b>	<b>\$ 0.03</b>	<b>\$ 0.03</b>	<b>\$ 0.09</b>	<b>\$ 0.09</b>

See accompanying notes



**Table of Contents**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES**  
**(Unaudited)**

	(In Thousands of Dollars)	
	Nine Months Ended	
	<b>Sept 30,</b>	<b>Sept 30,</b>
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 6,178	\$ 5,735
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	3,650	5,878
Depreciation and amortization	1,210	1,284
Net amortization of securities	3,475	1,727
Security gains	0	(1,158)
Impairment of equity securities	11	0
Loss on sale of other real estate owned	132	48
Earnings on bank owned life insurance	(421)	(385)
Net change in other assets and liabilities	(1,149)	1,145
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>13,086</b>	<b>14,274</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities and repayments of securities available for sale	28,058	44,931
Proceeds from sales of securities available for sale	3,361	48,887
Purchases of securities available for sale	(92,397)	(114,231)
Loan originations and payments, net	19,885	(4,101)
Proceeds from sale of other real estate owned	345	354
Purchase of bank owned life insurance	(3,000)	0
Proceeds from BOLI death benefit	108	0
Additions to premises and equipment	(1,500)	(719)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(45,140)</b>	<b>(24,879)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in deposits	45,148	(16,527)
Net change in short-term borrowings	33,450	49,087
Repayment of Federal Home Loan Bank borrowings and other debt	(1,431)	(2,212)
Cash dividends paid	(1,681)	(1,218)
Proceeds from dividend reinvestment	380	364
Net proceeds from issuance of common shares	13,772	0
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>89,638</b>	<b>29,494</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>57,584</b>	<b>18,889</b>
Beginning cash and cash equivalents	37,305	51,160
Ending cash and cash equivalents	\$ 94,889	\$ 70,049

Supplemental cash flow information:

Interest paid	\$	6,127	\$	9,098
Income taxes paid	\$	3,065	\$	1,030

Supplemental noncash disclosures:

Transfer of loans to other real estate	\$	514	\$	354
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See accompanying notes

**Table of Contents**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Principles of Consolidation:**

Farmers National Banc Corp. (the Company) is a one-bank holding company registered under the Bank Holding Company Act of 1956, as amended. The Company provides full banking services through its nationally chartered subsidiary, The Farmers National Bank of Canfield (the Bank). The Company provides trust services through its subsidiary, Farmers Trust Company (the Trust), and insurance services through the Bank's subsidiary, Farmers National Insurance. The consolidated financial statements include the accounts of the Company, the Bank, the Trust and Farmers National Insurance. All significant intercompany balances and transactions have been eliminated in the consolidation.

**Basis of Presentation:**

The unaudited condensed consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2010 Annual Report to Shareholders included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. The interim consolidated financial statements include all adjustments (consisting of only normal recurring items) that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of operations for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year.

**Estimates:**

To prepare financial statements in conformity with U.S. GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, deferred tax assets, carrying amount of goodwill and fair values of financial instruments are particularly subject to change.

**Segments:**

The Company provides a broad range of financial services to individuals and companies in northeastern Ohio. While the Company's chief decision makers monitor the revenue streams of the various products and services, operations are managed and financial performance is primarily aggregated and reported in two lines of business, the Bank segment and the Trust segment.

**Shareholders Equity:**

The Company successfully completed a rights and public offering of 5,000,000 common shares in January 2011. As part of this rights offering the Company issued 2,946,864 authorized but unissued common shares and reissued 2,053,136 shares of treasury stock. Total proceeds from the offering net of offering costs of \$1.2 million were \$13.8 million. Since the Company's cost basis of the treasury shares was greater than the price paid for common shares issued in the rights offering, the difference of \$19.3 million was recorded as a reduction to retained earnings. Other changes to retained earnings for the nine months ended September 30, 2011 were net income of \$6.2 million and partially offset by dividends paid to shareholders of \$1.7 million. In addition to the rights and public offering, common shares increased by \$380 thousand during the nine months ended September 30, 2011 due to the issuance of 83,685 common shares through the Company's dividend reinvestment program. Accumulated other comprehensive income increased \$7.2 million from December 31, 2010 to September 30, 2011 due to the after tax impact of increases in fair value of securities available for sale during that period.

**Table of Contents****Securities:**

The following table summarizes the amortized cost and fair value of the available-for-sale investment securities portfolio at September 30, 2011 and December 31, 2010 and the corresponding amounts of unrealized gains and losses recognized in accumulated other comprehensive income:

(In Thousands of Dollars)	Amortized	Gross	Gross	Fair
<b>September 30, 2011</b>	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
U.S. Treasury and U.S. government sponsored entities	\$ 99,571	\$ 4,991	\$ 0	\$ 104,562
State and political subdivisions	79,154	3,951	(64)	83,041
Mortgage-backed securities residential	165,468	6,165	(137)	171,496
Collateralized mortgage obligations	21,911	295	0	22,206
Equity securities	138	290	(6)	422
Other securities	1,124	13	(11)	1,126
<b>Totals</b>	<b>\$ 367,366</b>	<b>\$ 15,705</b>	<b>\$ (218)</b>	<b>\$ 382,853</b>

(In Thousands of Dollars)

**December 31, 2010**

U.S. Treasury and U.S. government sponsored entities	\$ 66,968	\$ 2,767	\$ (160)	\$ 69,575
State and political subdivisions	81,397	1,215	(2,146)	80,466
Mortgage-backed securities residential	140,681	4,099	(1,003)	143,777
Collateralized mortgage obligations	20,021	1	(362)	19,660
Equity securities	149	66	(16)	199
Other securities	658	18	(6)	670
<b>Totals</b>	<b>\$ 309,874</b>	<b>\$ 8,166</b>	<b>\$ (3,693)</b>	<b>\$ 314,347</b>

There were no security sales during the three months ended September 30, 2011 and only one security sale during the nine month period ended September 30, 2011. Proceeds from the sale were \$3.4 million with no gain or loss recognized. Proceeds from the sale of securities were \$48.9 million for the nine months ended September 30, 2010. Gross gains of \$1.2 million were realized on these sales during 2010. Gross losses of \$3 thousand were realized during the nine month period ending September 30, 2010.

Proceeds from sales of securities were \$47.0 million for the three months ended September 30, 2010. Gross gains of \$1.2 million were realized on these sales during the three month period ended September 30, 2010.

The amortized cost and fair value of the debt securities portfolio are shown by expected maturity. Expected maturities may differ from contractual maturities if issuers have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed and CMO securities are not due at a single maturity date and are shown separately.

**Table of Contents**

(In Thousands of Dollars)	September 30, 2011	
	Amortized Cost	Fair Value
<b>Maturity</b>		
Within one year	\$ 11,261	\$ 11,541
One to five years	107,462	112,160
Five to ten years	37,301	38,963
Beyond ten years	23,825	26,065
Mortgage-backed and CMO securities	187,379	193,702
<b>Total</b>	<b>\$ 367,228</b>	<b>\$ 382,431</b>

The following table summarizes the investment securities with unrealized losses at September 30, 2011 and December 31, 2010, aggregated by major security type and length of time in a continuous unrealized loss position:

(In Thousands of Dollars)	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>September 30, 2011</b>						
Available-for-sale						
U.S. Treasury and U.S. government-sponsored entities	\$ 249	\$ (0)	\$ 276	\$ (5)	\$ 525	\$ (5)
State and political subdivisions	5,145	(17)	919	(47)	6,064	(64)
Mortgage-backed securities						
residential	3,768	(25)	9,927	(112)	13,695	(137)
Equity securities	0	0	6	(6)	6	(6)
Other securities	503	(6)	0	0	503	(6)
<b>Total</b>	<b>\$ 9,665</b>	<b>\$ (48)</b>	<b>\$ 11,128</b>	<b>\$ (170)</b>	<b>\$ 20,793</b>	<b>\$ (218)</b>

(In Thousands of Dollars)	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2010</b>						
Available-for-sale						
U.S. Treasury and U.S. government-sponsored entities	\$ 8,458	\$ (160)	\$ 313	\$ (6)	\$ 8,771	\$ (166)
State and political subdivisions	36,118	(1,981)	790	(165)	36,908	(2,146)
Mortgage-backed securities						
residential	45,567	(1,002)	26	(1)	45,593	(1,003)
Collateralized mortgage obligations	19,594	(362)	0	0	19,594	(362)
Equity securities	0	0	8	(16)	8	(16)
<b>Total</b>	<b>\$ 109,737</b>	<b>\$ (3,505)</b>	<b>\$ 1,137</b>	<b>\$ (188)</b>	<b>\$ 110,874</b>	<b>\$ (3,693)</b>



**Table of Contents**

*Other-Than-Temporary-Impairment*

Management evaluates securities for other-than-temporary impairment ( OTTI ) at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Investment securities are generally evaluated for OTTI under Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 320, *Investments – Debt and Equity Securities*. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, whether the market decline was affected by macroeconomic conditions and whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. In analyzing an issuer's financial condition, the Company may consider whether the securities are issued by the federal government or its agencies, or U.S. government sponsored enterprises, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

When OTTI occurs, the amount of the OTTI recognized in earnings depends on whether an entity intends to sell the security or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis. If an entity intends to sell or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis, the OTTI shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. The previous amortized cost basis less the OTTI recognized in earnings becomes the new amortized cost basis of the investment. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income or loss. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

After considering the financial condition and near-term prospects of the issuers, the Company recorded an other-than-temporary pre-tax charge for impairment against common stock equity securities issued by regional banking companies in the amount of \$11 thousand, with a related tax benefit of \$4 thousand, during the three and nine month periods ended September 30, 2011.

As of September 30, 2011, the Company's security portfolio consisted of 419 securities, 54 of which were in an unrealized loss position. The majority of the unrealized losses on the Company's securities are related to its holdings of state and political subdivisions and mortgage-backed securities as discussed below.

Unrealized losses on debt securities issued by U.S. government-sponsored entities have not been recognized into income because the securities are of high credit quality, management does not have the intent to sell these securities before their anticipated recovery and the decline in fair value is largely due to fluctuations in market interest rates and not credit quality. Consequently, the fair value of such debt securities is expected to recover as the securities approach their maturity date.

Unrealized losses on debt securities at September 30, 2011 relative to obligations of state and political subdivisions have not been recognized into income. Generally, these debt securities have maintained their investment grade ratings and management does not have the intent to sell these securities before their anticipated recovery, which may be at maturity.

All of the Company's holdings of mortgage-backed securities were issued by U.S. government sponsored enterprises. Unrealized losses on mortgage-backed securities have not been recognized into income. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be OTTI.

**Table of Contents****Loans:**

Loan balances were as follows:

(In Thousands of Dollars)	September 30, 2011	December 31, 2010
Commercial real estate		
Owner occupied	\$ 99,563	\$ 111,261
Non-owner occupied	75,757	76,592
Other	15,960	16,582
Commercial	76,208	76,635
Residential real estate		
1-4 family residential	146,916	154,132
Home equity lines of credit	22,893	23,624
Consumer		
Indirect	115,622	116,999
Direct	11,776	11,302
Other	1,492	1,485
Subtotal	566,187	588,612
Net deferred loan (fees) costs	1,808	1,755
Allowance for loan losses	(10,984)	(9,307)
Net loans	557,011	\$ 581,060

The following tables present the activity in the allowance for loan losses by portfolio segment for the three and nine months ending September 30, 2011:

**Three Months Ended September 30, 2011**

(In Thousands of Dollars)	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses						
Beginning balance, July 1, 2011	\$ 6,053	\$ 1,886	\$ 1,542	\$ 1,123	\$ 272	\$ 10,876
Provision for loan losses	13	79	263	38	307	700
Recoveries	3	2	7	226		238
Loans charged off	(296)	(32)	(190)	(312)		(830)
Ending balance, September 30, 2011	\$ 5,773	\$ 1,935	\$ 1,622	\$ 1,075	\$ 579	\$ 10,984

**Nine Months Ended September 30, 2011**

(In Thousands of Dollars)	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Unallocated	Total
Allowance for loan losses	\$ 5,780	\$ 1,707	\$ 881	\$ 875	\$ 64	\$ 9,307



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Beginning balance, January 1, 2011							
Provision for loan losses	918	413	1,417	387	515	3,650	
Recoveries	11	36	410	694		1,151	
Loans charged off	(936)	(221)	(1,086)	(881)		(3,124)	
Ending balance, September 30, 2011	\$ 5,773	\$ 1,935	\$ 1,622	\$ 1,075	\$ 579	\$ 10,984	

**Table of Contents**

The following table presents the activity in the allowance for loan losses for the three and nine months ending September 30, 2010.

(In Thousands of Dollars)	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Allowance for loan losses		
Beginning balance	\$ 8,255	\$ 7,400
Provision for loan losses	1,500	5,878
Recoveries	152	424
Loans charged off	(2,122)	(5,917)
Ending balance	\$ 7,785	\$ 7,785

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of September 30, 2011 and December 31, 2010. The recorded investment in loans includes the unpaid principal balance and unamortized loan origination fees and costs but excludes accrued interest receivable, which is not considered to be material:

**September 30, 2011**

(In Thousands of Dollars)	Commercial		Residential				
	Real Estate	Commercial	Real Estate	Consumer	Unallocated	Total	
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	\$ 719	\$ 382	\$	\$	\$	\$ 1,101	
Collectively evaluated for impairment	5,054	1,553	1,622	1,075	579	9,883	
Total ending allowance balance	\$ 5,773	\$ 1,935	\$ 1,622	\$ 1,075	\$ 579	\$ 10,984	
Loans:							
Loans individually evaluated for impairment	\$ 7,565	\$ 1,376	\$	\$	\$	\$ 8,941	
Loans collectively evaluated for impairment	183,193	74,832	169,138	131,891		559,054	
Total ending loans balance	\$ 190,758	\$ 76,208	\$ 169,138	\$ 131,891	\$	\$ 567,995	

**December 31, 2010**

(In Thousands of Dollars)	Commercial		Residential				
	Real Estate	Commercial	Real Estate	Consumer	Unallocated	Total	

Ending allowance balance attributable to loans:							
Individually evaluated for impairment	\$ 572	\$ 33	\$	\$	\$	\$	\$ 605
Collectively evaluated for impairment	5,208	1,674	881	875	64		8,702
Total ending allowance balance	\$ 5,780	\$ 1,707	\$ 881	\$ 875	\$ 64	\$	\$ 9,307
Loans:							
Loans individually evaluated for impairment	\$ 6,045	\$ 1,015	\$	\$	\$	\$	\$ 7,060
Loans collectively evaluated for impairment	197,849	75,620	177,067	132,771			583,307
Total ending loans balance	\$ 203,894	\$ 76,635	\$ 177,067	\$ 132,771	\$	\$	\$ 590,367

**Table of Contents**

Interest income recognized during impairment for the three and nine months ending September 30, 2011 and September 30, 2010 was immaterial.

The following tables present loans individually evaluated for impairment by class of loans as of September 30, 2011 and December 31, 2010 and the average recorded investment by class for the nine and three months ended September 30, 2011:

(In Thousands of Dollars)

**September 30, 2011**

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Nine Months Ended Average Recorded Investment	Three Months Ended Average Recorded Investment
With no related allowance recorded:					
Commercial real estate					
Owner occupied	\$ 1,051	\$ 1,057	\$	\$ 1,130	\$ 1,092
Non-owner occupied	350	351		477	387
Other	730	731		796	765
Commercial	602	602		652	615
Residential real estate					
1-4 family residential	609	611		607	609
Home equity lines of credit					
Consumer					
Indirect					
Direct					
Other					
With an allowance recorded:					
Commercial real estate					
Owner occupied	2,790	2,793	102	2,960	2,837
Non-owner occupied	2,633	2,633	617	2,991	2,904
Other					
Commercial	772	774	382	746	764
Residential real estate					
1-4 family residential					
Home equity lines of credit					
Consumer					
Indirect					
Direct					
Other					
Total	\$ 9,537	\$ 9,552	\$ 1,101	\$ 10,359	\$ 9,973

**Table of Contents**

(In Thousands of Dollars)  
**December 31, 2010**

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With no related allowance recorded:			
Commercial real estate			
Owner occupied	\$ 821	\$ 818	\$
Non-owner occupied	466	465	
Other	365	364	
Commercial	800	798	
Residential real estate			
1-4 family residential			
Home equity lines of credit			
Consumer			
Indirect			
Direct			
Other			
With an allowance recorded:			
Commercial real estate			
Owner occupied	3,147	3,141	134
Non-owner occupied	167	167	3
Other	1,097	1,090	435
Commercial	219	217	33
Residential real estate			
1-4 family residential			
Home equity lines of credit			
Consumer			
Indirect			
Direct			
Other			
Total	\$ 7,082	\$ 7,060	\$ 605

The following table presents the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of September 30, 2011 and December 31, 2010:

	September 30, 2011		December 31, 2010	
	Nonaccrual	Loans Past Due over 90 Days Still Accruing	Nonaccrual	Loans Past Due over 90 Days Still Accruing
(In Thousands of Dollars)				
Commercial real estate				
Owner occupied	\$ 1,064	\$	\$ 1,960	\$
Non-owner occupied	2,990		550	
Other	783		1,462	

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Commercial	774		400	
Residential real estate				
1-4 family residential	4,027	128	3,362	190
Home equity lines of credit	887	145	815	10
Consumer				
Indirect	13	73	27	53
Direct	18	5		48
Other		2		24
Total	\$ 10,556	\$ 353	\$ 8,576	\$ 325

**Table of Contents**

Nonaccrual loans and loans past due 90 days still on accrual included both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The following table presents the aging of the recorded investment in past due loans as of September 30, 2011 and December 31, 2010 by class of loans:

**September 30, 2011**

(In Thousands of Dollars)	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial real estate						
Owner occupied	\$ 112	\$	\$ 1,064	\$ 1,176	\$ 98,116	\$ 99,292
Non-owner occupied	26		2,990	3,016	72,534	75,550
Other			783	783	15,133	15,916
Commercial	203	35	751	989	75,219	76,208
Residential real estate						
1-4 family residential	1,132	442	4,178	5,752	140,493	146,245
Home equity lines of credit	91		1,032	1,123	21,770	22,893
Consumer						
Indirect	1,073	157	86	1,316	117,307	118,623
Direct	128	10	23	161	11,615	11,776
Other	4	4	2	10	1,482	1,492
Total	\$ 2,769	\$ 648	\$ 10,909	\$ 14,326	\$ 553,669	\$ 567,995

**December 31, 2010**

(In Thousands of Dollars)	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial real estate						
Owner occupied	\$ 407	\$ 91	\$ 1,960	\$ 2,458	\$ 108,509	\$ 110,967
Non-owner occupied	499	59	550	1,108	75,281	76,389
Other			1,462	1,462	15,076	16,538
Commercial	286	275	400	961	75,674	76,635
Residential real estate						
1-4 family residential	2,981	435	3,552	6,968	146,475	153,443
Home equity lines of credit	334	16	825	1,175	22,449	23,624
Consumer						
Indirect	1,668	519	80	2,267	117,716	119,983
Direct	253	91	48	392	10,911	11,303
Other	9	1	24	34	1,451	1,485
Total	\$ 6,437	\$ 1,487	\$ 8,901	\$ 16,825	\$ 573,542	\$ 590,367





**Table of Contents****Troubled Debt Restructurings:**

Included in loans individually impaired are loans with balances of \$4.0 million and \$3.0 million for which the Company has modified the repayment terms at September 30, 2011 and December 31, 2010. The Company has allocated \$50 thousand and \$40 thousand of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of September 30, 2011 and December 31, 2010, respectively. There are no commitments to lend additional amounts to borrowers with loans that are classified as troubled debt restructurings at September 30, 2011 and December 31, 2010.

During the three and nine month periods ending September 30, 2011, two commercial real estate loans were modified as troubled debt restructurings. The first note's modification was a reduction of the stated interest rate of the loans of eighteen months, at which time the rate reverts back to the original stated note rate. The second note's interest rate was reduced through its maturity in March of 2018. The financial effect of these two loan modifications was immaterial to the financial statements at September 30, 2011. There were no troubled debt restructurings that defaulted during either the three or nine month period ending September 30, 2011.

**Credit Quality Indicators:**

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company establishes a risk rating at origination for commercial loan and commercial real estate relationships over \$300 thousand. Management monitors the loans on an ongoing basis for any changes in the borrower's ability to service their debt and affirm the risk ratings for the loans and leases in their respective portfolios on an annual basis. The Company uses the following definitions for risk ratings:

**Special Mention.** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

**Substandard.** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Substandard loans are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

**Doubtful.** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. As of September 30, 2011 and December 31, 2010, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

**September 30, 2011**

(In Thousands of Dollars)	Pass	Special Mention	Sub- standard	Doubtful	Not Rated	Total
Commercial real estate						
Owner occupied	\$ 80,877	\$ 6,008	\$ 12,407	\$	\$	\$ 99,292
Non-owner occupied	63,290	2,167	10,093			75,550
Other	12,934	615	2,367			15,916
Commercial	66,422	5,784	4,002			76,208
Total	\$ 223,523	\$ 14,574	\$ 28,869	\$	\$	\$ 266,966



**Table of Contents****December 31, 2010**

(In Thousands of Dollars)	Pass	Special Mention	Sub- standard	Doubtful	Not Rated	Total
Commercial real estate						
Owner occupied	\$ 91,976	\$ 3,893	\$ 15,098	\$	\$	\$ 110,967
Non-owner occupied	63,502	1,075	11,812			76,389
Other	12,005	786	3,747			16,538
Commercial	65,358	4,076	7,201			76,635
Total	\$ 232,841	\$ 9,830	\$ 37,858	\$	\$	\$ 280,529

The Company considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential, consumer and indirect loan classes, the Company also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in residential, consumer and indirect auto loans based on payment activity as of September 30, 2011 and December 31, 2010. Nonperforming loans are loans past due 90 days and still accruing interest and nonaccrual loans.

**September 30, 2011**

(In Thousands of Dollars)	Residential Real Estate				
	1-4 Family Residential	Home Equity Lines of Credit	Indirect	Consumer Direct	Other
Performing	\$ 142,067	\$ 21,861	\$ 118,537	\$ 11,753	\$ 1,490
Nonperforming	4,178	1,032	86	23	2
Total	\$ 146,245	\$ 22,893	\$ 118,623	\$ 11,776	\$ 1,492

**December 31, 2010**

(In Thousands of Dollars)	Residential Real Estate				
	1-4 Family Residential	Home Equity Lines of Credit	Indirect	Consumer Direct	Other
Performing	\$ 149,891	\$ 22,799	\$ 119,903	\$ 11,255	\$ 1,461
Nonperforming	3,552	825	80	48	24
Total	\$ 153,443	\$ 23,624	\$ 119,983	\$ 11,303	\$ 1,485

**Table of Contents****Earnings Per Share:**

The computation of basic and diluted earnings per share is shown in the following table:

(In Thousands, except Share and Per Share Data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Basic EPS computation</b>				
Numerator Net income	\$ 2,371	\$ 2,854	\$ 6,178	\$ 5,735
Denominator Weighted average shares outstanding	18,700,771	13,577,228	18,116,985	13,548,105
<b>Basic earnings per share</b>	\$ .13	\$ .21	\$ .34	\$ .42
<b>Diluted EPS computation</b>				
Numerator Net income	\$ 2,371	\$ 2,854	\$ 6,178	\$ 5,735
Denominator Weighted average shares outstanding for basic earnings per share	18,700,771	13,577,228	18,116,985	13,548,105
Effect of Stock Options	0	0	0	0
Weighted averages shares for diluted earnings per share	18,700,771	13,577,228	18,116,985	13,548,105
<b>Diluted earnings per share</b>	\$ .13	\$ .21	\$ .34	\$ .42

Stock options for 28,500 and 30,000 shares were not considered in the computing of diluted earnings per share for 2011 and 2010, respectively, because they were antidilutive.

**Stock Based Compensation:**

The Company's Stock Option Plan (the Plan), permitted the grant of share options to its directors, officers and employees. Under the terms of the Plan no additional shares can be issued. Option awards were granted with an exercise price equal to the market price of the Company's common shares at the date of grant, with a vesting period of 5 years and have 10-year contractual terms. At September 30, 2011 there were 28,500 outstanding options of which 26,500 were fully vested and are exercisable.

The fair value of each option award is estimated on the date of grant using a Black-Scholes model. Total compensation cost charged against income for the stock option plan for the nine month period ended September 30, 2011 was not material. No related income tax benefit was recorded.

**Comprehensive Income:**

Comprehensive income consists of net income and other comprehensive income or loss. Other comprehensive income or loss consists solely of the change in net unrealized gains and losses on securities available for sale, net of reclassification for gains or losses recognized in income.

**Recent Accounting Pronouncements**

ASU No. 2010-28, *Intangibles - Goodwill and Other (Topic 350) - When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist such as if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. ASU 2010-28 became effective for the Company on January 1, 2011 and did not have a significant impact on the Company's consolidated financial statements.



**Table of Contents**

*ASU No. 2011-02, Receivables (Topic 310) – A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring.* ASU 2011-02 clarifies which loan modifications constitute troubled debt restructurings and is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude, under the guidance clarified by ASU 2011-02, that both of the following exist: (a) the restructuring constitutes a concession; and (b) the debtor is experiencing financial difficulties. ASU 2011-02 will be effective for the Company on July 1, 2011, and applies retrospectively to restructurings occurring on or after January 1, 2011. Adoption of ASU 2011-02 had no significant impact on the Company’s consolidated financial statements.

In September 2011 the FASB issued *ASU No. 2011-08 Intangibles – Goodwill and Other (Topic 350), Testing Goodwill for Impairment.* This ASU provides an entity with positive equity the option to first evaluate qualitative factors in determining whether it is more likely than not (greater than 50%) that the fair value of a reporting unit exceeds its carrying amount as a basis for determining if the two-step goodwill impairment test is necessary. The ASU is effective for annual and interim goodwill impairment testing performed for fiscal years beginning after December 15, 2011. The adoption of this standard is not expected to have a material effect on the Company’s results of operation or financial condition.

**Fair Value**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

**Investment Securities:** The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

**Impaired Loans:** The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

**Other Real Estate Owned:** Nonrecurring adjustments to certain commercial and residential real estate properties classified as other real estate owned (OREO) are measured at fair value, less costs to sell. Fair values are based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.



**Table of Contents**Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

(In Thousands of Dollars)	Carrying Value	Fair Value Measurements at September 30, 2011 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial Assets</b>				
Investment securities available-for sale				
U.S. Treasury and U.S. government sponsored entities	\$ 104,562	\$ 0	\$ 104,562	\$ 0
State and political subdivisions	83,041	0	83,041	0
Mortgage-backed securities-residential	171,496	0	171,484	12
Collateralized mortgage obligations	22,206	0	22,206	0
Equity securities	422	422	0	0
Other securities	1,126	0	1,126	0
<b>Total investment securities</b>	<b>\$ 382,853</b>	<b>\$ 422</b>	<b>\$ 382,419</b>	<b>\$ 12</b>

(In Thousands of Dollars)	Carrying Value	Fair Value Measurements at December 31, 2010 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial Assets</b>				
Investment securities available-for sale				
U.S. Treasury and U.S. government sponsored entities	\$ 69,575	\$ 0	\$ 69,575	\$ 0
State and political subdivisions	80,466	0	80,466	0
Mortgage-backed securities-residential	143,777	0	143,765	12
Collateralized mortgage obligations	19,660	0	19,660	0
Equity securities	199	199	0	0
Other securities	670	0	670	0
<b>Total investment securities</b>	<b>\$ 314,347</b>	<b>\$ 199</b>	<b>\$ 314,136</b>	<b>\$ 12</b>



There were no significant transfers between level 1 and level 2 during the three and nine month periods ending September 30, 2011.

**Table of Contents**

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis:

(In Thousands of Dollars)	Investment Securities Available-for-sale (Level 3)			
	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2011	2010	2011	2010
Beginning balance	\$ 12	\$ 13	\$ 12	\$ 13
Total unrealized gains or losses:				
Included in other comprehensive income or loss	0	0	0	0
Purchases, sales, issuances and settlements, net	0	(1)	0	(1)
Transfer in and/or out	0	0	0	0
Ending balance	\$ 12	\$ 12	\$ 12	\$ 12

**Assets Measured on a Non-Recurring Basis**

Assets measured at fair value on a non-recurring basis are summarized below:

(In Thousands of Dollars)	Carrying Value	Fair Value Measurements at September 30, 2011 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Financial assets:		
Impaired loans				
Commercial real estate				
Owner occupied	\$ 427	\$ 0	\$ 0	\$ 427
Non-owner occupied	2,016	0	0	2,016
Other	0	0	0	0
Commercial	390	0	0	390
Other real estate owned-Commercial real estate	270	0	0	270

(In Thousands of Dollars)	Carrying Value	Fair Value Measurements at December 31, 2010 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Financial assets:		
Impaired loans				

Commercial real estate				
Owner occupied	\$ 1,239	\$ 0	\$ 0	\$ 1,239
Non-owner occupied	164	0	0	164
Other	662	0	0	662
Commercial	186	0	0	186

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal balance of \$3.9 million with a valuation allowance of \$1.1 million at September 30, 2011, resulting in an additional provision for loan loss of \$745 thousand and \$1.1 million for the three and nine month periods ending September 30, 2011, respectively. At December 31, 2010, impaired loans had a principal balance of \$2.8 million, with a valuation allowance of \$565 thousand. Excluded from the fair value of impaired loans, at September 30, 2011 and December 31, 2010, discussed above are \$2.3 million and \$1.8 million of loans classified as troubled debt restructurings, which are not carried at fair value.

**Table of Contents**

Other real estate owned measured at fair value less costs to sell, had a net carrying amount of \$270 thousand at September 30, 2011. During the three and nine month periods ending September 30, 2011 two properties were charged down reflecting updated appraisals which resulted in a write-down of \$82 thousand. At December 31, 2010, there was no other real estate owned carried at fair value.

The carrying amounts and estimated fair values of financial instruments, at September 30, 2011 and December 31, 2010 are as follows:

(In Thousands of Dollars)

	Carrying Amount	Fair Value
<b>September 30, 2011</b>		
Financial assets		
Cash and cash equivalents	\$ 94,889	\$ 94,889
Securities available-for-sale	382,853	382,853
Restricted stock	4,224	n/a
Loans, net	557,011	575,112
Accrued interest receivable	4,253	4,253
Financial liabilities		
Deposits	806,198	812,251
Short-term borrowings	139,084	139,084
Long-term borrowings	23,302	26,014
Accrued interest payable	642	642

(In Thousands of Dollars)

	Carrying Amount	Fair Value
<b>December 31, 2010</b>		
Financial assets		
Cash and cash equivalents	\$ 37,305	\$ 37,305
Securities available-for-sale	314,347	314,347
Restricted stock	3,977	n/a
Loans, net	581,060	590,331
Accrued interest receivable	4,125	4,125
Financial liabilities		
Deposits	761,050	764,170
Short-term borrowings	105,634	105,634
Long-term borrowings	24,733	27,080
Accrued interest payable	703	703

The methods and assumptions used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. The methods for determining the fair values for securities were described previously. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. Fair value of debt is based on current rates for similar financing. It was not practicable to determine the fair value of restricted stock due to restrictions placed on its transferability. The fair value of off-balance-sheet items is not considered material.

**Segment Information**

The reportable segments are determined by the products and services offered, primarily distinguished between banking and trust operations. They are also distinguished by the level of information provided to the chief operating

decision makers in the Company, who use such information to review performance of various components of the business, which are then aggregated. Loans, investments, and deposits provide the revenues in the banking operation, and trust service fees provide the revenue in trust operations. All operations are domestic.

**Table of Contents**

Significant segment totals are reconciled to the financial statements as follows:

(In Thousands of Dollars) <b>September 30, 2011</b>	<b>Trust Segment</b>	<b>Bank Segment</b>	<b>Others</b>	<b>Consolidated Totals</b>
Assets				
Cash and due from banks	\$ 2,190	\$ 92,819	\$ (120)	\$ 94,889
Securities available for sale	2,389	380,340	124	382,853
Net loans	0	557,011	0	557,011
Premises and equipment, net	102	14,574	0	14,676
Goodwill and other intangibles	6,553	0	0	6,553
Other assets	499	29,540	384	30,423
<b>Total Assets</b>	<b>\$ 11,733</b>	<b>\$ 1,074,284</b>	<b>\$ 388</b>	<b>\$ 1,086,405</b>
Liabilities and Stockholders Equity				
Deposits, borrowings and other liabilities	\$ 487	\$ 977,023	\$ (4,963)	\$ 972,547
Stockholders equity	11,246	97,261	5,351	113,858
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 11,733</b>	<b>\$ 1,074,284</b>	<b>\$ 388</b>	<b>\$ 1,086,405</b>
(In Thousands of Dollars) <b>December 31, 2010</b>	<b>Trust Segment</b>	<b>Bank Segment</b>	<b>Others</b>	<b>Consolidated Totals</b>
Assets				
Cash and due from banks	\$ 1,122	\$ 36,343	\$ (160)	\$ 37,305
Securities available for sale	2,627	311,601	119	314,347
Net loans	0	581,060	0	581,060
Premises and equipment, net	113	13,831	0	13,944
Goodwill and other intangibles	6,920	0	0	6,920
Other assets	425	28,336	414	29,175
<b>Total Assets</b>	<b>\$ 11,207</b>	<b>\$ 971,171</b>	<b>\$ 373</b>	<b>\$ 982,751</b>
Liabilities and Stockholders Equity				
Deposits, borrowings and other liabilities	\$ 368	\$ 894,052	\$ 283	\$ 894,703
Stockholders equity	10,839	77,119	90	88,048
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 11,207</b>	<b>\$ 971,171</b>	<b>\$ 373</b>	<b>\$ 982,751</b>
(In Thousands of Dollars) <b>For the Three Months Ended September 30, 2011</b>	<b>Trust Segment</b>	<b>Bank Segment</b>	<b>Others</b>	<b>Consolidated Totals</b>
Net interest income	\$ 10	\$ 9,237	\$ (12)	\$ 9,235
Provision for loan losses	0	700	0	700

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Service fees, security gains and other noninterest income	1,379	1,379	(62)	2,696
Noninterest expense	1,175	6,809	193	8,177
Income before taxes	214	3,107	(267)	3,054
Income taxes	74	700	(91)	683
Net Income	\$ 140	\$ 2,407	\$ (176)	\$ 2,371

**Table of Contents**

(In Thousands of Dollars)

**For the Nine Months Ended****September 30, 2011**

	<b>Trust Segment</b>	<b>Bank Segment</b>	<b>Others</b>	<b>Consolidated Totals</b>
Net interest income	\$ 32	\$ 27,480	\$ (37)	\$ 27,475
Provision for loan losses	0	3,650	0	3,650
Service fees, security gains and other noninterest income	4,106	4,040	(139)	8,007
Noninterest expense	3,524	20,064	495	24,083
Income before taxes	614	7,806	(671)	7,749
Income taxes	211	1,588	(228)	1,571
Net Income	\$ 403	\$ 6,218	\$ (443)	\$ 6,178

(In Thousands of Dollars)

**For the Three Months Ended****September 30, 2010**

	<b>Trust Segment</b>	<b>Bank Segment</b>	<b>Others</b>	<b>Consolidated Totals</b>
Net interest income	\$ 12	\$ 9,615	\$ (12)	\$ 9,615
Provision for loan losses	0	1,500	0	1,500
Service fees, security gains and other noninterest income	1,332	2,378	(13)	3,697
Noninterest expense	1,179	6,562	176	7,917
Income before taxes	165	3,931	(201)	3,895
Income taxes	57	1,052	(68)	1,041
Net Income	\$ 108	\$ 2,879	\$ (133)	\$ 2,854

(In Thousands of Dollars)

**For the Nine Months Ended****September 30, 2010**

	<b>Trust Segment</b>	<b>Bank Segment</b>	<b>Others</b>	<b>Consolidated Totals</b>
Net interest income	\$ 51	\$ 27,586	\$ (32)	\$ 27,605
Provision for loan losses	0	5,878	0	5,878
Service fees, security gains and other noninterest income	3,818	4,604	332	8,754
Noninterest expense	3,436	19,273	385	23,094
Income before taxes	433	7,039	(85)	7,387
Income taxes	150	1,531	(29)	1,652
Net Income	\$ 283	\$ 5,508	\$ (56)	\$ 5,735



**Table of Contents**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**Forward Looking Statements**

Discussions in this report that are not statements of historical fact (including statements that include terms such as will, may, should, believe, expect, anticipate, estimate, project, intend, and plan ) are forward-looking and involve risks and uncertainties. Any forward-looking statement is not a guarantee of future performance and actual future results could differ materially from those contained in forward-looking information. Factors that could cause or contribute to such differences include, without limitation, risks and uncertainties detailed from time to time in the Company's filings with the Securities and Exchange Commission, including without limitation, the risk factors disclosed in Item 1A, Risk Factors, in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Many of these factors are beyond the Company's ability to control or predict, and readers are cautioned not to put undue reliance on those forward-looking statements. The following list, which is not intended to be an all-encompassing list of risks and uncertainties affecting the Company, summarizes several factors that could cause the Company's actual results to differ materially from those anticipated or expected in these forward-looking statements:

- general economic conditions in market areas where we conduct business, which could materially impact credit quality trends;
- business conditions in the banking industry;
- the regulatory environment;
- fluctuations in interest rates;
- demand for loans in the market areas where we conduct business;
- rapidly changing technology and evolving banking industry standards;
- competitive factors, including increased competition with regional and national financial institutions;
- new service and product offerings by competitors and price pressures; and other like items.

Other factors not currently anticipated may also materially and adversely affect the Company's results of operations, cash flows and financial position. There can be no assurance that future results will meet expectations. While the Company believes that the forward-looking statements in this report are reasonable, the reader should not place undue reliance on any forward-looking statement. In addition, these statements speak only as of the date made. The Company does not undertake, and expressly disclaims, any obligation to update or alter any statements whether as a result of new information, future events or otherwise, except as may be required by applicable law.

**Overview**

For the three months ended September 30, 2011, the Company reported net income of \$2.4 million, compared to \$2.9 million for the third quarter of 2010 and \$2.1 million for the second quarter of 2011. Net income for the nine months ended September 30, 2011 was \$6.2 million, compared to \$5.7 million for the same nine month period in 2010. Income from trust fees and investment commissions increased 17% during the same nine month period. The increases reflect the continued benefit from the Company's strategy to diversify income streams. The provision for loan losses decreased from \$5.9 million for the nine month period ending September 30, 2010 to \$3.7 million for the nine months ended September 30, 2011. This 38% decrease is a result of improved credit quality, as net charge-offs have declined from \$5.5 million for the first nine months of 2010 to \$2.0 million for the same period in 2011. There has also been a decline in 30-89 day delinquencies, from \$5.9 million at September 30, 2010 to \$3.4 million at September 30, 2011. On a per share basis, net income for the third quarter ended September 30, 2011 was \$0.13 per diluted share, compared \$0.21 for the third quarter ended September 30, 2010 and \$0.11 for the second quarter ended June 30, 2011. The tangible common equity ratio increased to 9.94% at September 30, 2011, compared to 7.95% at September 30, 2010, mainly as a result of the successful common share offering completed in the first quarter of 2011. The Company's total assets reported at September 30, 2011 were \$1.09 billion, representing a 2% increase compared to \$1.06 billion in total assets recorded at September 30, 2010.



**Table of Contents**

Net loans were reported at \$557.0 million at September 30, 2011, versus \$599.9 million at the same time in 2010, a decrease of \$42.9 million, or 7.1%. The decline in loans, particularly in the first quarter of 2011, is related to slow economic growth. The demand experience for business and consumer credit is consistent with the experience of other banks in the Federal Reserve's Fourth District and banks nationally per the Federal Reserve Beige Book just released. The decline in loan balances resulted in a lower level of loan income for the current quarter. Over this same period, deposits increased \$45.2 million, or 5.9%, from \$761.0 million at September 30, 2010 to \$806.2 million at September 30, 2011.

Stockholders' equity totaled \$113.9 million, or 10.5% of total assets, at September 30, 2011, an increase of \$22.8 million, or 25.0%, compared to \$91.1 million at September 30, 2010. The increase in equity was primarily the result of the successful common share offering completed in the first quarter of 2011, adding approximately \$14 million in capital. The increase is also the result of net income and mark to market adjustments in the Company's investment securities, offset by cash dividends paid to shareholders during the past twelve months. Shareholders received a \$0.03 per share cash dividend on September 30, 2011 and a total of \$0.12 per share cash dividends paid in the past four quarters. Book value per share decreased 9.1% from \$6.69 per share at September 30, 2010 to \$6.08 per share at September 30, 2011. This decrease is mainly the result of the increase in shares outstanding, which includes the 5 million shares issued in the first quarter 2011 common share offering. The Company's tangible book value per share also decreased 7.1% from \$6.17 per share at September 30, 2010 to \$5.73 per share at September 30, 2011.

**Results of Operations**

The following is a comparison of selected financial ratios and other results at or for the three month and nine month periods ending September 30, 2011 and 2010:

(In Thousands, except Per Share Data)	At or for the Three Months Ended September 30,		At or for the Nine Months Ended September 30,	
	2011	2010	2011	2010
Total Assets	\$ 1,086,405	\$ 1,064,314	\$ 1,086,405	\$ 1,064,314
Net Income	\$ 2,371	\$ 2,854	\$ 6,178	\$ 5,735
Basic and Diluted Earnings Per Share	\$ .13	\$ .21	\$ .34	\$ .42
Return on Average Assets (Annualized)	.90%	1.08%	.81%	.74%
Return on Average Equity (Annualized)	8.56%	12.95%	8.01%	9.08%
Efficiency Ratio (tax equivalent basis)	64.64%	61.70%	63.89%	62.50%
Equity to Asset Ratio	10.48%	8.56%	10.48%	8.56%
Tangible Common Equity Ratio *	9.94%	7.95%	9.94%	7.95%
Dividends to Net Income	23.66%	14.26%	27.21%	21.26%
Net Loans to Assets	51.27%	56.36%	51.27%	56.36%
Loans to Deposits	70.45%	79.85%	70.45%	79.85%

\* The tangible common equity ratio is calculated by dividing total common stockholders' equity by total assets, after reducing both amounts by intangible assets. The tangible common equity ratio is not required by U.S.GAAP or by applicable bank regulatory requirements, but is a metric used by management to evaluate the adequacy of the Company's capital levels. Since there is no authoritative requirement to calculate the tangible common equity ratio, the Company's tangible common equity ratio is not necessarily comparable to similar capital measures disclosed or used by other companies in the financial services industry. Tangible common equity and tangible assets are non-U.S.GAAP financial measures and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with U.S.GAAP. With respect to the calculation of the actual unaudited tangible common equity ratio as of September 30, 2011 and 2010, reconciliations of tangible common equity to U.S.GAAP total common stockholders' equity and tangible assets to U.S.GAAP total assets are set forth below:



**Table of Contents**

(In Thousands of Dollars)	September 30, 2011	September 30, 2010
Reconciliation of Common Stockholders Equity to Tangible Common Equity		
Stockholders Equity	\$ 113,858	\$ 91,101
Less Goodwill and other intangibles	6,553	7,065
Tangible Common Equity	\$ 107,305	\$ 84,036

(In Thousands of Dollars)	September 30, 2011	September 30, 2010
Reconciliation of Total Assets to Tangible Assets		
Total Assets	\$ 1,086,405	\$ 1,064,314
Less Goodwill and other intangibles	6,553	7,065
Tangible Assets	\$ 1,079,852	\$ 1,057,249

Net Interest Income. The following schedules detail the various components of net interest income for the periods indicated. All asset yields are calculated on a tax-equivalent basis where applicable. Security yields are based on amortized cost.

**Table of Contents**

**Average Balance Sheets and Related Yields and Rates**  
(Dollar Amounts in Thousands)

	Three Months Ended September 30, 2011			Three Months Ended September 30, 2010		
	AVERAGE		RATE (1)	AVERAGE		RATE (1)
	BALANCE	INTEREST		BALANCE	INTEREST	
<b>EARNING ASSETS</b>						
Loans (3) (5) (6)	\$ 557,084	\$ 8,386	5.97%	\$ 602,312	\$ 9,415	6.20%
Taxable securities (4)	279,609	2,121	3.01	255,461	2,183	3.39
Tax-exempt securities (4) (6)	75,396	1,103	5.80	58,294	875	5.96
Equity Securities (2) (6)	4,373	48	4.35	4,126	45	4.33
Funds Sold and other	53,066	21	0.16	45,257	19	0.17
Total earning assets	969,528	11,679	4.78	965,450	12,537	5.15
<b>NONEARNING ASSETS</b>						
Cash and due from banks	16,755			26,251		
Premises and equipment	14,709			14,288		
Allowance for Loan Losses	(10,987)			(8,249)		
Unrealized gains (losses) on securities	11,105			13,296		
Other assets (3)	42,582			40,156		
Total Assets	\$ 1,043,692			\$ 1,051,192		
<b>INTEREST-BEARING LIABILITIES</b>						
Time deposits	\$ 250,505	\$ 1,266	2.01%	\$ 277,856	\$ 1,660	2.37%
Savings deposits	343,981	377	0.43	308,781	388	0.50
Demand deposits	108,528	17	0.06	108,154	20	0.07
Short term borrowings	116,501	75	0.26	165,676	210	0.50
Long term borrowings	23,412	248	4.20	25,099	267	4.22
Total Interest-Bearing Liabilities	842,927	1,983	0.93	885,566	2,545	1.14
<b>NONINTEREST-BEARING LIABILITIES AND STOCKHOLDERS EQUITY</b>						
Demand deposits	87,380			74,731		
Other Liabilities	3,496			3,448		
Stockholders equity	109,889			87,447		

Total Liabilities and Stockholders Equity	<b>\$ 1,043,692</b>			\$ 1,051,192	
Net interest income and interest rate spread	<b>\$ 9,696</b>	<b>3.85%</b>		\$ 9,992	4.01%
Net interest margin		<b>3.97%</b>			4.11%

- (1) Rates are calculated on an annualized basis.
- (2) Equity securities include restricted stock, which is included in other assets on the consolidated balance sheets.
- (3) Non-accrual loans and overdraft deposits are included in other assets.
- (4) Includes unamortized discounts and premiums. Average balance and yield are computed using the average historical amortized cost.
- (5) Interest on loans includes fee income of \$440 thousand and \$543 thousand for 2011 and 2010 respectively and is reduced by amortization of \$455 thousand and \$452 thousand for 2011 and 2010 respectively.
- (6) For 2011, adjustments of \$83 thousand and \$378 thousand respectively are made to tax equate income on tax exempt loans and tax exempt securities. For 2010, adjustments of \$86 thousand and \$291 thousand respectively are made to tax equate income on tax exempt loans and tax exempt securities. These adjustments are based on a marginal federal income tax rate of 35%, less disallowances.

**Table of Contents****Average Balance Sheets and Related Yields and Rates**

(Dollar Amounts in Thousands)

	Nine Months Ended September 30, 2011			Nine Months Ended September 30, 2010		
	AVERAGE		RATE (1)	AVERAGE		RATE (1)
	BALANCE	INTEREST		BALANCE	INTEREST	
<b>EARNING ASSETS</b>						
Loans (3) (5) (6)	\$ 564,066	\$ 25,384	6.02%	\$ 600,861	\$ 28,027	6.24%
Taxable securities (4)	256,755	6,038	3.14	252,974	6,685	3.53
Tax-exempt securities (4) (6)	76,166	3,338	5.86	58,397	2,635	6.03
Equity Securities (2) (6)	4,282	147	4.59	4,126	145	4.70
Funds Sold and other	46,257	40	0.12	35,847	43	0.16
Total earning assets	947,526	34,947	4.93	952,205	37,535	5.27
<b>NONEARNING ASSETS</b>						
Cash and due from banks	20,578			22,017		
Premises and equipment	14,133			14,359		
Allowance for Loan Losses	(10,375)			(7,795)		
Unrealized gains (losses) on securities	6,958			9,376		
Other assets (3)	42,621			40,992		
Total Assets	\$ 1,021,441			\$ 1,031,154		
<b>INTEREST-BEARING LIABILITIES</b>						
Time deposits	\$ 250,708	\$ 3,854	2.06%	\$ 299,421	\$ 5,740	2.56%
Savings deposits	333,478	1,134	0.45	295,018	1,388	0.63
Demand deposits	109,815	54	0.07	107,040	105	0.13
Short term borrowings	113,243	276	0.33	145,120	729	0.67
Long term borrowings	23,681	748	4.22	25,695	818	4.26
Total Interest-Bearing Liabilities	830,925	6,066	0.98	872,294	8,780	1.35
<b>NONINTEREST-BEARING LIABILITIES AND STOCKHOLDERS EQUITY</b>						
Demand deposits	83,967			71,057		
Other Liabilities	3,403			3,392		
Stockholders equity	103,146			84,411		



Total Liabilities and Stockholders Equity	<b>\$ 1,021,441</b>		\$ 1,031,154	
Net interest income and interest rate spread	<b>\$ 28,881</b>	<b>3.95%</b>	\$ 28,755	3.92%
Net interest margin		<b>4.08%</b>		4.04%

- (1) Rates are calculated on an annualized basis.
- (2) Equity securities include restricted stock, which is included in other assets on the consolidated balance sheets.
- (3) Non-accrual loans and overdraft deposits are included in other assets.
- (4) Includes unamortized discounts and premiums. Average balance and yield are computed using the average historical amortized cost.
- (5) Interest on loans includes fee income of \$1.3 million and \$1.5 million for 2011 and 2010 respectively and is reduced by amortization of \$1.3 million and \$1.3 million for 2011 and 2010 respectively.
- (6) For 2011, adjustments of \$261 thousand and \$1.1 million respectively are made to tax equate income on tax exempt loans and tax exempt securities. For 2010, adjustments of \$274 thousand and \$876 thousand respectively are made to tax equate income on tax exempt loans and tax exempt securities. These adjustments are based on a marginal federal income tax rate of 35%, less disallowances.

**Table of Contents**

**Net interest income.** Net interest income was \$9.2 million for the third quarter of 2011, which compared to \$9.6 million in the third quarter of 2010. The net interest margin to average earning assets on a fully taxable equivalent basis decreased 14 basis points to 3.97% for the three months ended September 30, 2011, compared to 4.11% for the same period in the prior year. The decrease in net interest margin is largely a result of interest earning assets repricing at lower interest rates as the economy remains in a low interest rate environment. The margin decline is also due to the change in the mix of earning assets, mainly lower levels of average loans and higher levels of average securities and federal funds sold. In comparing the quarters ending September 30, 2011 and 2010, yields on earning assets decreased 37 basis points, while the cost of interest bearing liabilities decreased 21 basis points. On a year-to-date basis, net interest income declined slightly to \$27.5 million for the nine month period ended September 30, 2011, compared to \$27.6 million in the same period in 2010. The annualized net interest margin to average earning assets on a fully taxable equivalent basis was 4.08% for the nine months ended September 30, 2011, compared to 4.04% for the same period in the prior year.

**Noninterest Income.** Noninterest income was \$2.7 million for the third quarter of 2011, a decrease of \$1 million compared to \$3.7 million for the same quarter of 2010. This decrease is mainly a result of security gains of \$1.2 million recorded in the third quarter of 2010, compared to an \$11 thousand impairment charge in the same quarter in 2011. Trust fees were \$1.4 million for the quarter ended September 30, 2011, an increase of \$100 thousand, or 8%, compared to the same quarter in 2010. Investment commissions also increased for the quarter ended September 30, 2011 to \$215 thousand, compared to \$132 thousand in the same quarter in 2010.

Noninterest income for the nine months ended September 30, 2011 was \$8.0 million, compared to \$8.8 million for the same period in 2010. The decrease in noninterest income is primarily due to security gains of \$1.2 million recorded in 2010 compared to an \$11 thousand impairment charge in 2011. This decline was offset by increases in trust fee income and investment commissions in 2011 of \$374 thousand and \$297 thousand, respectively.

**Noninterest Expense.** Noninterest expense totaled \$8.2 million for the third quarter of 2011, which is \$260 thousand more than the \$7.9 million in the same quarter in 2010. Most of this increase is a result of a \$442 thousand increase in other operating expenses, offset by a \$169 thousand decrease in FDIC insurance expense. The majority of the increase in other operating expenses is due to a \$344 thousand increase in the combined accounts of consulting/outsource fees and miscellaneous expense. The decrease in FDIC insurance premiums is a result of the change in the assessment base by the FDIC. Assessments are now based on asset size, as opposed to being based on deposit size in prior periods.

Noninterest expenses for the nine months ended September 30, 2011 was \$24.1 million, compared to \$23.1 million for the same period in 2010, representing an increase of \$1 million, or 4.3%. The increase is mainly the result of a \$570 thousand increase in salaries and employee benefits, resulting from a higher number of employees in the current year and additional expense related to the separation of a key employee. Other operating expenses increased \$683 thousand, due mainly to higher consulting and other real estate owned expenses. The higher employee count is attributed primarily to our North Canton and Secondary Mortgage project expansions.

**Table of Contents**

The following is a detail of non-interest expense line items classified between the Trust and the other entities in the Company for the three month and nine month periods ending September 30, 2011 and 2010:

(In Thousands of Dollars)	For the Three Months Ended					
	September 30, 2011			September 30, 2010		
	Trust Company	Bank and Others	Total Company	Trust Company	Bank and Others	Total Company
Noninterest expense						
Salaries and employee benefits	\$ 663	\$ 3,521	\$ 4,184	\$ 666	\$ 3,543	\$ 4,209
Occupancy and equipment	153	877	1,030	135	790	925
State and local taxes	25	208	233	30	194	224
Professional fees	11	246	257	15	364	379
Advertising	2	263	265	1	198	199
FDIC insurance	0	171	171	0	340	340
Intangible amortization	112	0	112	145	0	145
Core processing charges	0	253	253	0	266	266
Other operating expenses	209	1,463	1,672	187	1,043	1,230
<b>Total noninterest expense</b>	<b>\$ 1,175</b>	<b>\$ 7,002</b>	<b>\$ 8,177</b>	<b>\$ 1,179</b>	<b>\$ 6,738</b>	<b>\$ 7,917</b>

(In Thousands of Dollars)	For the Nine Months Ended					
	September 30, 2011			September 30, 2010		
	Trust Company	Bank and Others	Total Company	Trust Company	Bank and Others	Total Company
Noninterest expense						
Salaries and employee benefits	\$ 2,079	\$ 10,776	\$ 12,855	\$ 1,946	\$ 10,339	\$ 12,285
Occupancy and equipment	422	2,446	2,868	383	2,359	2,742
State and local taxes	74	644	718	89	591	680
Professional fees	34	726	760	45	1,024	1,069
Advertising	5	616	621	3	473	476
FDIC insurance	0	763	763	0	960	960
Intangible amortization	367	0	367	435	0	435
Core processing charges	0	743	743	0	742	742
Other operating expenses	543	3,845	4,388	535	3,170	3,705
<b>Total noninterest expense</b>	<b>\$ 3,524</b>	<b>\$ 20,559</b>	<b>\$ 24,083</b>	<b>\$ 3,436</b>	<b>\$ 19,658</b>	<b>\$ 23,094</b>

The Company's tax equivalent efficiency ratio for the three month period ended September 30, 2011 was 64.64%, compared to 61.7% for the same period in 2010. The decline in the efficiency ratio was the result of the \$209 thousand decrease in net interest income and noninterest income, excluding securities gains (losses), and a \$260 thousand increase in noninterest expense.

The Company's tax equivalent efficiency ratio for the nine month period ended September 30, 2011 was 63.89%, compared to 62.50% for the prior year's same nine month period. The decline in the efficiency ratio was the result of a \$989 thousand increase in noninterest expense, offset by \$877 thousand increase in net interest income and noninterest income.

**Income Taxes.** Income tax expense totaled \$683 thousand for the quarter ended September 30, 2011 and \$1.0 million for the quarter ended September 30, 2010. The decrease in the current quarter tax expense can be attributed to the \$841 thousand decrease in taxable income from prior year third quarter. The decrease in net income is due to security

gains in quarter ended September 30, 2010.

Income tax expense was \$1.6 million for the first nine months of 2011 and \$1.7 million for the first nine months of 2010. The effective tax rate for the first nine months of 2011 was 20.27%, compared to 22.36% for the same period in 2010. The effective tax rate decrease over the same period in 2010 was due to \$434 thousand increase in tax exempt municipal securities income in 2011.

**Table of Contents**

**Other Comprehensive Income.** For the quarter ended September 30, 2011, the change in net unrealized gains on securities, net of reclassifications, resulted in an unrealized gain, net of tax, of \$3.3 million, compared to an unrealized gain of \$1.5 million for the same period in 2010. Management believes the increases in fair value for the three month periods ending September 30, in 2011 and 2010 are the result of the continued low interest rate environment that exists in the debt securities market.

For the first nine months of 2011, the change in net unrealized gains on securities, net of reclassifications, resulted in an unrealized gain, net of tax, of \$7.2 million, compared to an unrealized gain of \$5.6 million for the same period in 2010. Management believes the increase in fair value for the periods in 2011 and 2010 is largely due to lower market interest rates.

**Financial Condition**

**Cash and cash equivalents.** Cash and cash equivalents increased \$57.6 million during the first nine months of 2011. The Company expects these levels to remain steady over the next few months. The increase is largely due to the scarcity of viable investment options that produce a reasonable yield for the risk and management's effort to maintain a larger balance at the Federal Reserve Bank for future liquidity needs.

**Securities.** Securities available-for-sale increased by \$68.5 million since December 31, 2010. Securities were purchased in an effort to increase returns on some of the cash available from the additional core deposit account balances and repurchase agreements sold during the period. There was a \$11.0 million increase in the net unrealized gains on securities during the first nine months of 2011.

**Loans.** Gross loans decreased \$22.4 million, or 3.79%, since December 31, 2010. The commercial real estate loan and residential real estate loan portfolios decreased \$13.2 million and \$7.9 million, respectively, accounting for the majority of the decrease in gross loans during the first nine months of 2011. The decline in loans is related to slow economic growth in the Mahoning Valley. The demand experience for the bank's business and consumer credit is consistent with the experience of other banks in the Federal Reserve's Fourth District and banks nationally per the Federal Reserve Beige Book just released. The decline in loan balances resulted in a lower level of loan income for the current quarter. On a fully tax equivalent basis, loans contributed 72.64% of total interest income for the nine months ended September 30, 2011 and 74.67% for the same period in 2010.

**Allowance for Loan Losses.** The following table indicates key asset quality ratios that management evaluates on an ongoing basis. The unpaid principal balance of non-performing loans and non-performing assets was used in the calculation of amounts and ratios on the table below.

**Asset Quality History**  
(In Thousands of Dollars)

	9/30/11	6/30/11	3/31/11	12/31/10	9/30/10
Nonperforming loans	\$ 10,884	\$ 7,865	\$ 11,011	\$ 8,901	\$ 9,207
Nonperforming loans as a % of total loans	1.92%	1.38%	1.91%	1.51%	1.52%
Loans delinquent 30-89 days	3,386	3,758	3,392	7,924	5,888
Loans delinquent 30-89 days as a % of total loans	.60%	.66%	.59%	1.34%	.97%
Allowance for loan losses	\$ 10,984	\$ 10,876	\$ 10,137	\$ 9,307	\$ 7,785
Allowance for loan losses as a % of loans	1.93%	1.91%	1.76%	1.58%	1.28%
Allowance for loan losses as a % of nonperforming loans	100.92%	138.28%	92.06%	104.56%	84.56%
Annualized net charge-offs to average net loans outstanding	.43%	.24%	.74%	.46%	1.31%
Non-performing assets	11,453	8,664	11,867	9,433	9,533
Non-performing assets as a % of total assets	1.05%	0.85%	1.17%	.96%	.90%

Net charge-offs for the quarter	592	336	1,045	677	1,970
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**Table of Contents**

For the nine months ended September 30, 2011, management provided \$3.7 million to the allowance for loan losses, a decrease of \$2.2 million, or 37.9%, over the same nine month period in the prior year. This decrease is primarily due to fewer charge-offs and a lower level of delinquencies from the year ago period, which are factors considered in management's quarterly estimate of loan loss provisions and the adequacy of the allowance for loan losses. Net charge-offs declined from \$5.5 million for the first nine months of 2010 to \$2.0 million for the current nine month period. Loans delinquent 30-89 days decreased from \$7.9 million at December 31, 2010 to \$3.4 million at September 30, 2011. Offsetting these improvements in credit quality, the ratio of nonperforming loans to total loans declined from 1.51% at December 31, 2010 to 1.92% at September 30, 2011. The change in this ratio was the result of an increase in nonperforming loans of \$2.0 million from December 31, 2010 and a decline in loan balances from \$590.4 million at December 31, 2010 to \$568.0 million at September 30, 2011. The increase in nonperforming loans is primarily centered in the commercial and commercial real estate loan portfolios. The ratio of the allowance for loan losses (ALLL) to nonperforming loans was 100.92% at September 30, 2011 compared to 104.56% at December 31, 2010. In addition, specific allocations on impaired loans increased \$500 thousand from \$600 thousand at December 31, 2010 to \$1.1 million at September 30, 2011.

At September 30, 2011 the ALLL/total loans ratio was 1.93% compared to 1.58% at December 31, 2010. The increase in this ratio over the last nine months is mainly the result of the aforementioned contraction in the loan portfolio. Additionally, as asset quality metrics and net charge-off levels have improved in recent quarters, an increasing portion of the allowance has been considered to be unallocated. Management feels it is prudent, at this time, to maintain this ALLL ratio and an unallocated allowance given some deterioration in certain segments of the portfolio, continued stress on real estate values, depressed loan demand and general economic uncertainty.

For the three months ended September 30, 2011, management provided \$700 thousand to the allowance for loan losses, a decrease of \$375 thousand from the preceding quarter and a decrease of \$800 thousand over the same three month period in the prior year. Net charge-offs for the quarter ending September 30, 2011 were \$592 thousand compared to \$336 thousand and \$2.0 million for the second quarter of 2011 and the third quarter of 2010, respectively. The provision for loan losses exceeded net charge-offs for the three month period ended September 30, 2011 due to increases in specific allocations on impaired loans. Charge-offs for the three month period ending September 30, 2011 were \$830 thousand and recoveries amounted to \$238 thousand.

Based on the evaluation of the adequacy of the allowance for loan losses, management believes that the allowance for loan losses at September 30, 2011 to be adequate and reflects probable incurred losses in the portfolio. The provision for loan losses 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.

**Table of Contents**

**Deposits.** Total deposits increased \$45.1 million, or 5.93%, since December 31, 2010. Balances in the Company's non-interest bearing deposits increased \$12.1 million, or 15.60%, between December 31, 2010 and September 30, 2011. Money market accounts also increased \$27.2 million between December 31, 2010 and September 30, 2011. Time deposit accounts decreased \$3.3 million, or 1.28%, during the nine month period, as customers continued to move deposit dollars from time deposits seeking liquidity. The Company's focus is on core deposit growth and the Company will continue to price deposit rates to remain competitive within the market and to retain customers. At September 30, 2011, core deposits—savings and money market accounts, time deposits less than \$100,000 and demand deposits—represented approximately 87.69% of total deposits.

**Borrowings.** Total borrowings increased \$32.0 million, or 24.56%, since December 31, 2010. The increase in borrowings is the result of an increase in securities sold under repurchase agreements offset by a decrease in Federal Home Loan Bank (FHLB) advances. Repurchase agreements increased \$33.5 million while FHLB advances decreased \$1.4 million during the first nine months of 2011. The increase in repurchase agreements is due to an increase in public funds deposits and the decrease in FHLB advances is the result of normal pay down of the advances.

**Capital Resources.** Total stockholders' equity increased from \$88.0 million at December 31, 2010 to \$113.9 million at September 30, 2011. The increase is a result of the successful completion by the Company of a 5,000,000 common share offering during January 2011, which injected approximately \$14 million into the Company. The increase is also the result of net income and mark to market adjustments in the Company's investment securities partially offset by cash dividends paid to shareholders during the past twelve months. Shareholders received a \$0.03 per share cash dividend on September 30, 2011 and a total of \$0.09 per share cash dividends paid during 2011. Book value per share decreased 5.74% from \$6.45 per share at December 31, 2010 to \$6.08 per share at September 30, 2011. This decrease is mainly the result of the sale of stock at less than book value.

The capital management function is a regular process that consists of providing capital for both the current financial position and the anticipated future growth of the Company. As of September 30, 2011 the Company's total risk-based capital ratio stood at 17.24%, and the Tier I risk-based capital ratio and Tier I leverage ratio were at 15.97% and 9.48%, respectively. Management believes that the Company and the Bank meet all capital adequacy requirements to which they are subject, as of September 30, 2011.

Due to the continuing growth in the Bank's business and the increase in its allowance for loan losses associated with current economic conditions, senior management and the Board have determined that higher levels of capital are appropriate. The Office of the Comptroller of the Currency (the OCC) concurred in the Board's view that additional capital would be beneficial in supporting its continued growth and operations. As a result, effective February 2, 2010, the OCC proposed and the Bank accepted the following individual minimum capital requirements for the Bank: Tier I Capital to Adjusted Total Assets of 7.20% and Total Capital to Risk-Weighted Assets of 11.00%. At September 30, 2011, the Bank is in compliance with these minimum capital requirements.

**Critical Accounting Policies**

The Company follows financial accounting and reporting policies that are in accordance with U.S. GAAP. These policies are presented in Note 1 of the consolidated audited financial statements in the Company's Annual Report to Shareholders included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. Critical accounting policies are those policies that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company has identified two accounting policies that are critical accounting policies and an understanding of these policies is necessary to understand the Company's financial statements. These policies relate to determining the adequacy of the allowance for loan losses and other-than-temporary impairment of securities. Additional information regarding these policies is included in the notes to the aforementioned 2010 consolidated financial statements, Note 1 (Summary of Significant Accounting Policies), Note 2 (Securities), Note 3 (Loans), and the sections captioned "Loan Portfolio" and "Investment Securities".



**Table of Contents**

Management believes that the accounting for goodwill and other intangible assets also involves a higher degree of judgment than most other significant accounting policies. U.S.GAAP establishes standards for the amortization of acquired intangible assets and the impairment assessment of goodwill. Goodwill arising from business combinations represents the value attributable to unidentifiable intangible assets in the business acquired. The Company's goodwill relates to the value inherent in the banking industry and that value is dependent upon the ability of the Company's trust subsidiary to provide quality, cost-effective trust services in a competitive marketplace. The goodwill value is supported by revenue that is in part driven by the volume of business transacted. A decrease in earnings resulting from a decline in the customer base or the inability to deliver cost-effective services over sustained periods can lead to impairment of goodwill that could adversely impact earnings in future periods. U.S.GAAP requires an annual evaluation of goodwill for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The fair value of the goodwill, which resides on the books of the Trust, is estimated by reviewing the past and projected operating results for the subsidiary and trust banking industry comparable information.

**Liquidity**

The Company maintains, in the opinion of management, liquidity sufficient to satisfy depositors' requirements and meet the credit needs of customers. The Company depends on its ability to maintain its market share of deposits as well as acquiring new funds. The Company's ability to attract deposits and borrow funds depends in large measure on its profitability, capitalization and overall financial condition. The Company's objective in liquidity management is to maintain the ability to meet loan commitments, purchase securities or to repay deposits and other liabilities in accordance with their terms without an adverse impact on current or future earnings. Principal sources of liquidity for the Company include assets considered relatively liquid, such as federal funds sold, cash and due from banks, as well as cash flows from maturities and repayments of loans, and securities.

Along with its liquid assets, the Bank has additional sources of liquidity available which help to insure that adequate 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 an approved line of credit at a major domestic bank. At September 30, 2011, this line of credit totaled \$15.0 million and the Bank had not borrowed against this line. In addition, the Company has a \$1.5 million revolving line of credit with a correspondent bank. The outstanding balance at September 30, 2011 was \$1.1 million. Management feels that its liquidity position is adequate and continues to monitor the position on a monthly basis. As of September 30, 2011, the Bank had outstanding balances with the FHLB of Cincinnati of \$23.2 million with additional borrowing capacity of approximately \$77.3 million with the FHLB as well as access to the Federal Reserve Discount Window, which provides an additional source of funds. The Bank views its membership in the FHLB as a solid source of liquidity. The primary investing activities of the Company are originating loans and purchasing securities. During the first nine months of 2011, net cash used by investing activities amounted to \$45.1 million, compared to \$24.9 million used in investing activities for the same period in 2010. Purchases of securities amounted to \$92.4 million used during the first nine months of 2011 compared to \$114.2 million used during the same period in 2010. Proceeds from maturities and repayments of securities available for sale provided \$28.1 million in the nine month period ending September 30, 2011 while \$44.9 million was provided during the same period in 2010. \$19.9 million in net cash provided by loan originations and payments during the first nine months of 2011, compared to \$4.1 million used in loan originations and payments during the same period in 2010, accounted for a majority of the \$20.2 million change in cash used by investing activities. The cash provided by lending activities during this year's first nine month period can be attributed to a reduction to the activity in the indirect, consumer real estate, and the commercial loan portfolios.

**Table of Contents**

The primary financing activities of the Company are obtaining deposits, repurchase agreements and other borrowings. Net cash provided by financing activities amounted to \$89.6 million for the first nine months of 2011, compared to \$29.5 million provided by financing activities for the same period in 2010. \$13.8 million of this change is a result of the issuance of the Company's common and treasury shares during the public offering during the first quarter of 2011. The net change in deposits for the nine month period ending September 30, 2011, provided \$45.1 million while the same period in 2010 used \$16.5 million. A smaller increase of \$15.6 million in the short term borrowings category, compared to prior year accounted for the remaining differences in financing activities.

**Off-Balance Sheet Arrangements**

In the normal course of business, to meet the financial needs of our customers, we are a party to financial instruments with off-balance sheet risk. These financial instruments generally include commitments to originate mortgage, commercial and consumer loans, and involve to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the Consolidated Balance Sheets. The Bank's maximum exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amount of those instruments. Because some commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The same credit policies are used in making commitments as are used for on-balance sheet instruments. Collateral is required in instances where deemed necessary. Undisbursed balances of loans closed include funds not disbursed but committed for construction projects. Unused lines of credit include funds not disbursed, but committed for, home equity, commercial and consumer lines of credit. Financial standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Those guarantees are primarily used 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. Total unused commitments were \$81.8 million at September 30, 2011 and \$68.3 million at December 31, 2010.

**Recent Market and Regulatory Developments**

In response to the current national and international economic recession, and in an effort to stabilize and strengthen the financial markets and banking industries, the United States Congress and governmental agencies have taken a number of significant actions over the past several years, including the passage of legislation and the implementation of a number of programs. The most recent of these actions was the passage into law, on July 21, 2010, of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act is the most comprehensive change to banking laws and the financial regulatory environment since the Great Depression of the 1930s. The Dodd-Frank Act affects almost every aspect of the nation's financial services industry and mandates change in several key areas, including regulation and compliance, securities regulation, executive compensation, regulation of derivatives, corporate governance, and consumer protection.

The extent to which the Dodd-Frank Act and initiatives thereunder will succeed in addressing the credit markets or otherwise result in an improvement in the national economy is uncertain. In addition, because many aspects of this legislation still remain subject to intensive agency rulemaking and subsequent public comment prior to implementation over the next several months, it is difficult to predict at this time the ultimate effect of the Dodd-Frank Act on the Company. It is likely, however, that the Company's expenses will increase as a result of new compliance requirements.

**Table of Contents**

Various legislation affecting financial institutions and the financial industry will likely continue to be introduced in Congress, and such legislation may further change banking statutes and the operating environment of the Company in substantial and unpredictable ways, and could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance depending upon whether any of this potential legislation will be enacted, and if enacted, the effect that it or any implementing regulations, would have on the financial condition or results of operations of the Company or any of its subsidiaries. With the enactment of the Dodd-Frank Act, the nature and extent of future legislative and regulatory changes affecting financial institutions remains very unpredictable at this time.

Also, such statutes, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies and are subject to change at any time, particularly in the current economic and regulatory environment. Any such change in statutes, regulations or regulatory policies applicable to the Company could have a material effect on the business of the Company.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company's ability to maximize net income is dependent, in part, on management's ability to plan and control net interest income through management of the pricing and mix of assets and liabilities. Because a large portion of assets and liabilities of the Company are monetary in nature, changes in interest rates and monetary or fiscal policy affect its financial condition and can have significant impact on the net income of the Company. Additionally, the Company's balance sheet is currently liability sensitive and in the low interest rate environment that exists today, the Company's net interest margin should maintain current levels throughout the near future.

The Company considers the primary market exposure to be interest rate risk. Simulation analysis is used to monitor the Company'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 sudden and sustained 200 basis point increase or decrease in market interest rates:

<b>Changes In Interest Rate (basis points)</b>	<b>September 30, 2011 Result</b>	<b>December 31, 2010 Result</b>	<b>ALCO Guidelines</b>
Net Interest Income Change			
+200	-3.50%	-3.54%	15.00%
-200	-4.03%	-3.10%	15.00%
Net Present Value Of Equity Change			
+200	-5.34%	-2.24%	20.00%
-200	31.28%	-32.08%	20.00%

The results of the simulation indicate that in an environment where interest rates rise or fall 100 and 200 basis points over a 12 month period, using September 30, 2011 amounts as a base case, and considering the increase in deposit liabilities, and the volatile financial markets. It should be noted that the change in the net present value of equity exceeded policy when the simulation model assumed a sudden decrease in rates of 200 basis points (2%). This was primarily because the positive impact on the fair value of assets would not be as great as the negative impact on the fair value of certain liabilities. Specifically, because core deposits typically bear relatively low interest rates, their fair value would be negatively impacted as the rates could not be adjusted by the full extent of the sudden decrease in rates. Management does not believe that a 200 basis rate decline is realistic in the current interest rate environment. The remaining results of this analysis comply with internal limits established by the Company. A report on interest rate risk is presented to the Board of Directors and the Asset/Liability Committee on a quarterly basis. The Company 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.



**Table of Contents**

**Item 4. Controls and Procedures**

Based on their evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective. There were no changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

In the opinion of management there are no outstanding legal actions that will have a material adverse effect on the Company's financial condition or results of operations.

**Item 1A. Risk Factors**

There have been no material changes to the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds Purchases of equity securities by the issuer.**

On July 14, 2009, the Company announced the adoption of a stock repurchase program that authorizes the repurchase of up to 4.9% or approximately 657 thousand shares of its outstanding common stock in the open market or in privately negotiated transactions. This program expired in July 2010 and as of this report had not been renewed. There was no treasury stock purchased by the Company during the third quarter of 2011.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. (Removed and Reserved).**

**Item 5. Other Information**

Not applicable.

**Table of Contents**

**Item 6. Exhibits**

The following exhibits are filed or incorporated by reference as part of this report:

- 3.1 Articles of Incorporation of Farmers National Banc Corp., as amended (incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-3 filed with the SEC on October 3, 2001 (File No. 333-70806).
- 3.2 Amended Code of Regulations of Farmers National Banc Corp. (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011 filed with the SEC on August 9, 2011).
- 10.1 Farmers National Banc Corp. Cash Incentive Plan (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 24, 2011).
- 10.2 Farmers National Banc Corp. Long-Term Incentive Plan (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 29, 2011).
- 10.3 Retirement Agreement by and between Farmers National Banc Corp., the Farmers National Bank of Canfield and Frank L. Paden (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on June 29, 2011).
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of John S. Gulas, President and Chief Executive Officer of the Company (filed herewith).
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Carl D. Culp, Executive Vice President, Chief Financial Officer and Treasurer of the Company (filed herewith).
- 32.1 Certification pursuant to 18 U.S.C. Section 1350 of John S. Gulas, President and Chief Executive Officer of the Company (filed herewith).
- 32.2 Certification pursuant to 18 U.S.C. Section 1350 of Carl D. Culp, Executive Vice President, Chief Financial Officer and Treasurer of the Company (filed herewith).
- 101\* The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income and Comprehensive Income; (iii) the Consolidated Statements of Cash Flows; and (iv) Notes to Consolidated Financial Statements, tagged as blocks of text.

\* As provided in Rule 406T of Regulation S-T, this information shall not be deemed filed for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability under those sections.

**Table of Contents**

**SIGNATURES**

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

FARMERS NATIONAL BANC CORP.

Dated: November 8, 2011

/s/ John S. Gulas

John S. Gulas  
President and Chief Executive Officer

Dated: November 8, 2011

/s/ Carl D. Culp

Carl D. Culp  
Executive Vice President and Treasurer