

May 2, 2016

Dear Shareholders and Friends:

It was a pleasure to see so many of you at the Annual Shareholder meeting last Saturday. Our Management Team always looks forward to the opportunity to present the "State of the Bank" address to our owners. It was an excellent event and we were able to share the exciting trends we are seeing at First National Bank.

The book value and closing price on our shares have both increased in recent months, which is wonderful news. I am extremely excited to report a year over year increase of the market price of our stock of 7.5% as of 3/31/2016. We hope you enjoyed hearing from Greig McDonald at our meeting. We have seen much success with our stock price since we began working with Greig and Community Banc Investments as our Market Maker. If you are interested in purchasing or selling Pandora Bancshares, Inc. Stock, please contact Greig McDonald at [Greig@cbibancstocks.com](mailto:Greig@cbibancstocks.com) or 1-800-224-1013.

I am very proud of our staff and their commitment to our Bank Mission of "Improving lives through community banking". Their commitment goes beyond the normal work day. In the first quarter of 2016 alone, they have been involved in events including a Pandora Gilboa basketball game, University of Findlay Chili cook off, Farmers Appreciation Breakfast and multiple Bowl for Kids events. There are many more events on the calendar in the coming months like United Way Days of Caring, park clean up days and school booster fair booths.

We continue to see excellent year over year asset (6%), loan (6%) and deposit growth (9%). This growth has increased net interest income by 6.5%. However, we are also disappointed by the costs associated with regulatory burden. Keeping our bank compliant with a growing mountain of regulation has increased our overall non-interest expense and has contributed to a corresponding reduction in non-interest income.

We now offer a complimentary service to pay annual dividends via direct deposit. If this is a service you would like, please contact Heather Rakay at 419-384-9104 or [hrakay@e-fnb.com](mailto:hrakay@e-fnb.com). We will start sending many of our quarterly newsletters by email. Please contact Heather to sign up.

Bank directors, management and staff are extremely excited about the positive direction of First National Bank and we anticipate continued increase in shareholder stock value. We thank you for your investment and your current business and look forward to your future business.

Respectfully,



Todd A. Mason  
President and CEO  
First National Bank

Pandora Bancshares, Inc.

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# Pandora Bancshares, Inc.

## and Subsidiary

### Financial Information (unaudited)

(dollars in thousands, except share data)

Three Months

Ended

Mar 31, 2016

Three Months

Ended

Mar 31, 2015

#### CONDENSED STATEMENT OF INCOME

Interest Income	\$1,473	\$1,371
Interest Expense	<u>161</u>	<u>139</u>
Net Interest Income	1,312	1,232
Provision for loan losses	<u>0</u>	<u>0</u>
Net interest income after provision for loan losses	1,312	1,232
Non-interest income	237	317
Non-interest expenses	<u>1,305</u>	<u>1,270</u>
Income before income taxes	244	279
Provision for income taxes	<u>57</u>	<u>70</u>
Net income	<u>\$187</u>	<u>\$209</u>
Average common shares outstanding	126,507	126,500

#### PER COMMON SHARE

Net income	\$1.48	\$1.66
Book value	\$106.49	\$102.14
Closing price	\$86.00	\$80.00

#### FINANCIAL RATIOS

Return on average assets	0.50%	0.60%
Return on average equity	5.67%	6.68%
Net interest margin	3.85%	3.85%
Efficiency ratio	84.25%	81.99%
Loans to deposits	77.11%	79.72%
Allowance for loan losses to loans	1.44%	1.52%

#### PERIOD END BALANCES

	As of <u>Mar 31, 2016</u>	As of <u>Mar 31, 2015</u>
Assets	\$149,414	\$140,961
Loans - net of allowance	\$100,161	\$94,462
Deposits	\$129,891	\$118,489
Shareholders' equity	\$13,480	\$12,927
Common shares outstanding	126,588	126,564