

October 24, 2016

Dear Shareholder:

It is a pleasure to report our third quarter earnings to you. Earnings continue to be strong evidenced by our \$628,000 year to date net income. These earnings support an average return on Assets of 4.46% and a return on equity of 6.18%. Net Interest income is up 4.1% from 9/30/2015. Year over year asset growth at First National Bank has been 6.7 million or 4.54%.

Agriculture harvest is well underway and has been a pleasant surprise for most of our area farmers. A dry July hurt the corn yield potentials however the August rain proved to be very beneficial. Yields have been average, however overall gross farm income is down from previous years due to lower grain prices. 2016 will continue to be a profitable year for our area farmers. We are excited how the year has ended and look forward to continuing our partnership with our local agricultural community.

At First National Bank our staff is continuing to be very involved in our community. This quarter we have participated in the following events, Bluffton homecoming parade, concert in the park, Rally in the Alley, Riley Creek Car show.

Greig McDonald is available to assist you in buying or selling PDRB stock. Year over year the price of PDRB has increased 11.6%. The current bid price is \$91.70 bid and \$96.25 offer. If you are interested in buying or selling our PDRB stock, please contact Greig at 1-800-224-1013 or Greig@cbibankstocks.com. If you have any questions feel free to contact me at 419-384-9103 or tmason@e-fnb.com.

We are looking forward to the remainder of 2016. Bank Directors, Management and Staff are continuing to work hard to enhance shareholder value. We thank you for your support, your business and your referrals.

Respectfully,



Todd A. Mason
President & CEO
The First National Bank

Pandora Bancshares, Inc.

102 E. Main Street • P.O. Box 329 • Pandora, OH • 45877

Phone: 419-384-3221 • Fax: 419-384-7404

www.e-FNB.com

Pandora Bancshares, Inc.

and Subsidiary

Financial Information (unaudited)

(dollars in thousands, except share data)

Nine Months
Ended
Sept 30, 2016

Nine Months
Ended
Sept 30, 2015

CONDENSED STATEMENT OF INCOME

Interest Income	\$4,517	\$4,235
Interest Expense	<u>495</u>	<u>431</u>
Net Interest Income	4,022	3,804
Provision for loan losses	<u>60</u>	<u>0</u>
Net interest income after provision for loan losses	3,962	3,804
Non-interest income	914	948
Non-interest expenses	<u>4,046</u>	<u>3,905</u>
Income before income taxes	830	847
Provision for income taxes	<u>202</u>	<u>209</u>
Net income	<u>\$628</u>	<u>\$638</u>
Average common shares outstanding	126,334	126,390

PER COMMON SHARE

Net income	\$4.97	\$5.05
Book value	\$110.52	\$104.68
Closing price	\$89.30	\$80.00

FINANCIAL RATIOS

Return on average assets	0.55%	0.59%
Return on average equity	6.18%	6.62%
Net interest margin	3.89%	3.85%
Efficiency ratio	81.97%	82.17%
Loans to deposits	77.89%	79.67%
Allowance for loan losses to loans	1.39%	1.40%

PERIOD END BALANCES

	As of <u>Sept 30, 2016</u>	As of <u>Sept 30, 2015</u>
Assets	\$157,786	\$151,054
Loans - net of allowance	\$105,497	\$101,637
Deposits	\$135,443	\$127,576
Shareholders' equity	\$13,957	\$13,225
Common shares outstanding	126,293	126,338