



# First National Bank

*You. First. Always.*

October 30, 2017

Dear Shareholders and Friends:

It is a pleasure to report our third quarter results to you. Earnings continue to be strong as evidenced by our \$762,000 net income year to date. This is a 21% increase over the same time period in 2016 and translates into an average return on assets of 0.65% and a return on equity of 7.36%. Net interest income is up 3.8% from 9/30/2016. This is the first quarter we have exceeded \$160 million in assets size. These financial indicators are extremely positive.

Agricultural harvest is well underway and has been a pleasant surprise for most of our area farmers. Soybean yields have been average; however, the first report of corn yield has been impressive. As always, we would like to see higher grain prices. 2017 will likely be a profitable year for our Farming community. We are excited with how the year has developed and look forward to continuing our partnership with our local agricultural partners.

At First National Bank, we have been speaking for over a year about the conversion of our entire operating system to a better provider. That conversion occurred on the weekend of September 23<sup>rd</sup> and was a success. Please visit our web site at [www.e-fnb.com](http://www.e-fnb.com) to experience our newly designed website. My proudest moments of the entire conversion was to watch our amazing staff walk our customers through the new look and delivery of our products. We have a great team and I am very proud of them.

Our market maker, Greig McDonald, is doing a fantastic job assisting individuals with our Pandora Bancshares stock. Year over year the price of PDRB has increased 6.9%. The current bid price is \$98 and the ask price is \$102.90. If you are interested in buying or selling our PDRB stock, please contact Greig McDonald at 1-800-224-103 or [Greig@cbibankstocks.com](mailto:Greig@cbibankstocks.com). If you have any questions feel free to contact me at 419-384-9103 or [tmason@e-fnb.com](mailto:tmason@e-fnb.com). If you would like to receive our newsletter electronically or receive direct deposit of dividends, please contact Heather Rakay at [hrakay@e-fnb.com](mailto:hrakay@e-fnb.com) or 419-384-9104.

We are looking forward to the remainder of 2017. 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  
First National Bank

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Equal Housing

# Pandora Bancshares, Inc. and Subsidiary

<b>Financial Information</b> (unaudited) (dollars in thousands, except share data)	Nine Months Ended Sept 30, 2017	Nine Months Ended Sept 30, 2016
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## CONDENSED STATEMENT OF INCOME

Interest Income	\$4,755	\$4,517
Interest Expense	580	495
Net Interest Income	4,175	4,022
Provision for loan losses	60	60
Net interest income after provision for loan losses	4,115	3,962
Non-interest income	997	914
Non-interest expenses	4,086	4,046
Income before income taxes	1,026	830
Provision for income taxes	264	202
Net income	<u>\$762</u>	<u>\$628</u>
Average common shares outstanding	126,344	126,334

## PER COMMON SHARE

Net income	\$6.03	\$4.97
Book value	\$113.12	\$110.52
Closing bid price	\$95.50	\$89.30
Closing ask price	\$100.20	\$93.70

## FINANCIAL RATIOS

Return on average assets	0.65%	0.55%
Return on average equity	7.36%	6.18%
Net interest margin	3.91%	3.89%
Efficiency ratio	79.00%	81.97%
Loans to deposits	79.21%	77.89%
Allowance for loan losses to loans	1.26%	1.39%

## PERIOD END BALANCES

	As of	As of
	<u>Sept 30, 2017</u>	<u>Sept 30, 2016</u>
Assets	\$160,005	\$157,786
Loans - net of allowance	\$109,959	\$105,497
Deposits	\$138,826	\$135,443
Shareholders' equity	\$14,285	\$13,957
Common shares outstanding	126,287	126,293