



First National Bank

You. First. Always.

January 2, 2018

Dear Shareholders and Friends:

Pandora Bancshares, Inc. is pleased to announce that 2017 has been another profitable year that added value for our shareholders. Our leadership is pleased with these results. Our net interest margin continues to be strong at 3.92% as of November 30, 2017. This, along with the excellent loan growth in 2017, helped our net interest income to increase from \$4.904 million to \$5.170 million year over year through November 30, 2017.

On December 22, 2017, President Trump signed a new tax bill into law. At this time, our tax accountant is reviewing its impact on our 2017 tax liability. This bill will have no impact on our Income before taxes, which grew \$217,000, or 21% year over year through November 30, 2017. Final figures for 2017 are unavailable for publication at this time, but we are extremely excited about the continued improvements the bank made in 2017. First National Bank's excellent performance has resulted in a declaration of \$2.30 per share dividend for all shareholders on the January 2, 2018 date of record, payable January 31, 2018. This is a 4.5% increase over the previous year's dividend.

2018 promises to be another exciting year and technology is leading the way. The availability of an improved online banking application and our mobile deposit services are among the many services that we are highlighting. This technology is allowing First National Bank to deliver products and services you might find at a large bank while providing our excellent small town customer service. No matter how impressive our technology is becoming, the bank's best asset is our professional staff. This engaged group makes my leadership role enjoyable and fulfilling. We recently recognized several of our great employees with well-deserved promotions, including Jen Vastano, Retail Administrator, who was promoted to Senior Vice President, Michelle Brandt, Compliance Officer, who was promoted to Vice President, Lisa Wheeler, Training Coordinator, who was promoted to Assistant Vice President and Heather Rakay, Executive Assistant who was promoted to Assistant Vice President. The quality of our staff has had a direct impact on our 2017 YTD Deposit growth rate of 4.41% and the 2017 PDRB stock value appreciation. Comparing November 30, 2016 to November 30, 2017, the value of your stock increased \$6.65 or 6.9% for 2017. That, along with the \$2.30 cash dividend will give our shareholders a total return of 9.29% for the year. We believe this positive trend will continue and the improving economy will provide a good base for meeting our five year strategic plan. Our goal is to meet the Bank mission of "Improving lives through Community Banking".

The Bank's directors, management and staff are extremely excited about the continued positive direction of First National Bank and our ongoing efforts to increase shareholder value. We thank you for your investment, your business and your future business. We look forward to seeing you at the Shareholder Meeting on April 28th, 2018, at The Centre At Bluffton, Bluffton, Ohio. As always, if you are interested in purchasing or selling stock, please feel free to contact Greig McDonald at 1-800-224-1013 or by email at Greig@cbibankstocks.com. The current bid price is \$98.00 per share and the current ask price is \$102.90 per share.

Respectfully,

Todd A. Mason
President & CEO
The First National Bank

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Member FDIC

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Equal Housing

Pandora Bancshares, Inc. and Subsidiary

Financial Information (unaudited) (dollars in thousands, except share data)	Eleven Months Ended Nov 30, 2017	Eleven Months Ended Nov 30, 2016
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CONDENSED STATEMENT OF INCOME

Interest Income	\$5,902	\$5,511
Interest Expense	732	607
Net Interest Income	5,170	4,904
Provision for loan losses	80	60
Net interest income after provision for loan losses	5,090	4,844
Non-interest income	1,166	1,104
Non-interest expenses	5,011	4,920
Income before income taxes	1,245	1,028
Provision for income taxes	322	248
Net income	<u>\$923</u>	<u>\$780</u>

Average common shares outstanding	126,334	126,297
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PER COMMON SHARE

Net income	\$7.31	\$6.17
Book value	\$113.61	\$108.32
Closing bid price	\$98.00	\$91.70
Closing ask price	\$102.90	\$96.25

FINANCIAL RATIOS

Return on average assets	0.64%	0.56%
Return on average equity	7.24%	6.27%
Net interest margin	3.92%	3.86%
Efficiency ratio	79.09%	81.90%
Loans to deposits	78.84%	76.24%
Allowance for loan losses to loans	1.24%	1.37%

PERIOD END BALANCES

	As of <u>Nov 30, 2017</u>	As of <u>Nov 30, 2016</u>
Assets	\$162,500	\$153,801
Loans - net of allowance	\$112,856	\$104,532
Deposits	\$143,153	\$137,106
Shareholders' equity	\$14,347	\$13,662
Common shares outstanding	126,287	126,133