



First National Bank

You. First. Always.

May 1, 2018

Dear Shareholders and Friends:

It was a pleasure to see so many of you at the Annual Shareholder meeting on April 28th. 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, which is wonderful news. I am extremely excited to report a year over year increase of the market price of our stock of 8.3% as of 3-31-2018. We have seen much success with our stock price since we began working with Greig McDonald 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@cbibankstocks.com or 800-224-1013.

I am 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. Our staff volunteered close to 2,000 hours in our communities in 2017. In the first quarter of 2018, they have been involved in events including the University of Findlay Chili cook off, Farmers Appreciation Breakfast, and multiple Bowl for Kids events.

We continue to see excellent year over year asset (8.3%), loan (6.6%) and deposit growth (7.3%). Loans and Deposits grew \$7.0 and \$9.9 million respectively. This growth has helped increase net income by 34.9%. The growth in most financial categories reflects a sustained trend for First National Bank that was illustrated nicely in the Financial Presentation at the shareholder meeting. If you are interested in receiving the financial power point, please feel free to contact me and I will have our CFO, Larry Hoffman, get you a copy of his slides.

We now offer a complimentary service to pay annual dividends via direct deposit. If you are interested, please contact Heather Rakay at 419-384-9104 or hrakay@e-fnb.com. We also send 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 & CEO
First National Bank

PANDORA
102 East Main Street
Pandora, OH 45877
Tel. 419-384-3221
Fax 419-384-7404

BLUFFTON
112 Cherry Street
Bluffton, OH 45817
Tel. 419-358-5500
Fax 419-358-2999

FINDLAY EAST
1630 Tiffin Avenue
Findlay, OH 45840
Tel. 419-429-6000
Fax 419-429-0044

FINDLAY WEST
1114 Trenton Avenue
Findlay, OH 45840
Tel. 419-425-2500
Fax 419-425-2520

OTTAWA
855 N. Locust St.
Ottawa, OH 45875
Tel. 419-523-5500
Fax 419-523-5501

Member FDIC

www.e-FNB.com

Equal Housing

Pandora Bancshares, Inc. and Subsidiary

Financial Information (unaudited) (dollars in thousands, except share data)	Three Months Ended Mar 31, 2018	Three Months Ended Mar 31, 2017
CONDENSED STATEMENT OF INCOME		
Interest Income	\$1,708	\$1,496
Interest Expense	<u>251</u>	<u>171</u>
Net Interest Income	1,457	1,325
Provision for loan losses	<u>45</u>	<u>30</u>
Net interest income after provision for loan losses	1,412	1,295
Non-interest income	214	288
Non-interest expenses	<u>1,318</u>	<u>1,337</u>
Income before income taxes	308	246
Provision for income taxes	<u>49</u>	<u>54</u>
Net income	<u>\$259</u>	<u>\$192</u>
 Average common shares outstanding	 126,429	 126,519

PER COMMON SHARE

Net income	\$2.05	\$1.52
Book value	\$109.40	\$108.04
Closing bid price	\$99.00	\$91.40
Closing ask price	\$103.90	\$95.90

FINANCIAL RATIOS

Return on average assets	0.65%	0.51%
Return on average equity	7.39%	5.76%
Net interest margin	3.97%	3.84%
Efficiency ratio	78.85%	82.87%
Loans to deposits	77.44%	77.98%
Allowance for loan losses to loans	1.26%	1.29%

PERIOD END BALANCES

	As of <u>Mar 31, 2018</u>	As of <u>Mar 31, 2017</u>
Assets	\$166,501	\$153,734
Loans - net of allowance	\$113,568	\$106,568
Deposits	\$146,660	\$136,751
Shareholders' equity	\$13,838	\$13,671
 Common shares outstanding	 126,490	 126,541