



First National Bank

You. First. Always.

July 31, 2018

Dear Shareholders and Friends:

It is a pleasure to report our second quarter earnings to you. Our positive trend of improving earnings is evidenced by our \$575,000 YTD net income. Net income is up 27.4% from 6/30/2017. Year over year asset growth at First National Bank increased by \$8.9 million or 5.6%. We have also experienced an excellent year over year loan growth of \$6.5 million or 6.1%.

The excellent improvement in earnings is due to three main factors. First is the increase in interest rates that have improved our net interest margin. The second factor is the positive impact to our bank with the favorable income tax changes. The third is a concentrated effort to reduce non-interest expenses, specifically our core data processing. The above positive items have helped push our closing stock ask price to \$105.05 as of 6/30/2018. As stated in the June 21, 2018 correspondence, the Board has agreed to do a two for one stock split effective July 16, 2018.

Enclosed please find your most recent statement of stock holdings. If you have any questions on your statement, please contact Heather Rakay at 419-384-9104 or hrakay@e-fnb.com

As of 7/31/2018 our closing ask price for our stock is \$ 54.00. If you are interested in buying or selling Pandora Bancshares, Inc. stock, please contact our market maker Greig McDonald with Community Banc Investments, Inc. at greig@cbibankstocks.com or 800-224-1013. If you would like to get our newsletter electronically or receive direct deposit of dividends, please contact Heather Rakay at hrakay@e-fnb.com or 419-384-9104.

We are very excited about the remainder of 2018 and the current direction of First National Bank. Our 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

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) | Six Months Ended Jun 30, 2018 | Six Months Ended Jun 30, 2017 |
|---|-------------------------------------|-------------------------------------|
| CONDENSED STATEMENT OF INCOME | | |
| Interest Income | \$3,567 | \$3,099 |
| Interest Expense | <u>586</u> | <u>358</u> |
| Net Interest Income | 2,981 | 2,741 |
| Provision for loan losses | <u>90</u> | <u>60</u> |
| Net interest income after provision for loan losses | 2,891 | 2,681 |
| Non-interest income | 477 | 681 |
| Non-interest expenses | <u>2,680</u> | <u>2,768</u> |
| Income before income taxes | 688 | 594 |
| Provision for income taxes | <u>113</u> | <u>143</u> |
| Net income | <u>\$575</u> | <u>\$451</u> |
| Average common shares outstanding | 126,369 | 126,385 |
| PER COMMON SHARE | | |
| Net income | \$4.55 | \$3.57 |
| Book value | \$111.22 | \$111.22 |
| Closing bid price | \$100.05 | \$93.75 |
| Closing ask price | \$105.05 | \$98.40 |
| FINANCIAL RATIOS | | |
| Return on average assets | 0.70% | 0.59% |
| Return on average equity | 8.19% | 6.65% |
| Net interest margin | 3.97% | 3.91% |
| Efficiency ratio | 77.50% | 80.88% |
| Loans to deposits | 76.56% | 78.18% |
| Allowance for loan losses to loans | 1.31% | 1.30% |
| PERIOD END BALANCES | | |
| | As of <u>Jun 30, 2018</u> | As of <u>Jun 30, 2017</u> |
| Assets | \$168,268 | \$159,352 |
| Loans - net of allowance | \$113,629 | \$107,115 |
| Deposits | \$148,420 | \$137,005 |
| Shareholders' equity | \$14,012 | \$14,042 |
| Common shares outstanding | 125,983 | 126,253 |