



First National Bank

You. First. Always.

October 31, 2018

Dear Shareholders and Friends:

It is a pleasure to report our third quarter results to you. 2018 earnings have exceeded our expectations and these financial indicators reflect a great year for First National Bank to this point. Our \$936,000 net income year to date is a 22% increase over the same period in 2017 and translates into an average return on assets of 0.75% and a return on equity of 8.81%. Net interest income is up 8.4% from 9/30/2017. We have increased assets year over year by 5.8%, grown loan balances by 4.4% and deposits by 5.5%.

Agricultural harvest is coming to a close and we have seen near record yields for most of area farmers. As always, we would like to see higher grain prices. 2018 will likely be a profitable year for our farming neighbors. We are excited to see how the year has developed and look forward to our ongoing partnerships with the local agricultural community.

At First National Bank, we have been diligently continuing to train our staff to maximize the customer experience to our client base. We have implemented a Trusted Advisor program which allows our staff to earn more compensation based on their level of expertise and customer service. Our new HR manager, Lisa Wheeler, has spearheaded this program and is continuing to focus on employee development. We are also in the process of completing the much-needed remodel of our Bluffton office. As part of the new look, we are excited to roll out new technology on our front line called cash recyclers. This equipment does not replace the human element of face to face banking, but it does improve efficiency and allows our people more time to serve you better. Please check out our completed project by joining us at the Grand Opening in Bluffton on November 16th from 11 a.m. to 2 p.m.

More exciting news for all owners of Pandora Bancshares, Inc. was the successful two for one stock split that occurred in July, 2018. We are pleased to be able to make our stock more affordable for new potential shareholders. We are also happy to report that over the last three years, the overall closing stock price of Pandora Bancshares, Inc has increased by 35%.

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 7.7%. The current bid price is \$51.50 and the ask price is \$54.00. If you are interested in buying or selling our PDRB stock, please contact Greig McDonald at 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. If you would like to receive our newsletter electronically or receive direct deposit of dividends, please contact Heather Rakay at 419-384-9104 or hakay@e-fnb.com.

We are looking forward to the remainder of 2018. 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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Member FDIC

www.e-FNB.com

Equal Housing

Pandora Bancshares, Inc. and Subsidiary

Financial Information (unaudited) (dollars in thousands, except share data)

Nine Months Ended Sept 30, 2018
 Nine Months Ended Sept 30, 2017

CONDENSED STATEMENT OF INCOME

Interest Income	\$5,475	\$4,755
Interest Expense	<u>948</u>	<u>580</u>
Net Interest Income	4,528	4,175
Provision for loan losses	<u>90</u>	<u>60</u>
Net interest income after provision for loan losses	4,438	4,115
Non-interest income	756	997
Non-interest expenses	<u>4,067</u>	<u>4,086</u>
Income before income taxes	1,126	1,026
Provision for income taxes	<u>190</u>	<u>264</u>
Net income	<u>\$936</u>	<u>\$762</u>
Average common shares outstanding	252,665	126,344

PER COMMON SHARE

(2017 Restated to reflect 2:1 Stock Split)

Net income	\$3.70	\$3.01
Book value	\$56.31	\$56.56
Closing bid price	\$51.50	\$47.75
Closing ask price	\$54.00	\$50.10

FINANCIAL RATIOS

Return on average assets	0.75%	0.65%
Return on average equity	8.81%	7.36%
Net interest margin	3.98%	3.91%
Efficiency ratio	77.05%	79.00%
Loans to deposits	78.60%	79.21%
Allowance for loan losses to loans	1.31%	1.26%

PERIOD END BALANCES

	As of <u>Sept 30, 2018</u>	As of <u>Sept 30, 2017</u>
Assets	\$169,274	\$160,005
Loans - net of allowance	\$114,775	\$109,959
Deposits	\$146,460	\$138,826
Shareholders' equity	\$14,224	\$14,285
Common shares outstanding	252,593	126,287