



# First National Bank

*You. First. Always.*

January 2, 2019

Dear Shareholders and Friends:

Pandora Bancshares, Inc. is happy to announce that 2018 has been another profitable year that added value for our shareholders. Our leadership is pleased with these results. Net interest margin continues to be strong at 3.96% as of November 30, 2018. This, along with excellent loan growth in 2018, helped our net interest income increase from \$5.170 million to \$5.546 million year over year through November 30, 2018.

Final figures for 2018 are unavailable for publication, but we are thrilled by the positive trends in 2018. As of 11-30-2018, YTD Net Income is up \$205,000 or 22% from 11-30-2017. First National Bank's excellent performance has resulted in a declaration of \$1.25 per share dividend for all shareholders on the January 2, 2019 date of record, payable January 31, 2019. This is an 8.7% increase over the previous year's dividend.

2019 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 highlights. This technology is allowing First National Bank to deliver products and services you may find at a large bank while providing our continued 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. The quality of our staff has had a direct impact on our 2018 YTD Deposit growth rate of 8.48% and the 2018 Pandora Bancshares, Inc. stock value appreciation. Comparing November 30, 2017 to November 30, 2018 the value of your stock increased \$2.55 or 4.95% for 2018. That, along with the \$1.25 cash dividend, earned our shareholders a total return of 7.38% 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 ultimate 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 27<sup>th</sup>, 2019, at The Centre, 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](mailto:Greig@cbibankstocks.com). The current bid price is \$52.90 per share and the current ask price is \$55.50 per share.

Respectfully,

Todd A. Mason  
President & CEO  
The First National Bank

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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, 2018

Eleven Months  
Ended  
Nov 30, 2017

**CONDENSED STATEMENT OF INCOME**

Interest Income	\$6,757	\$5,902
Interest Expense	<u>1,211</u>	<u>732</u>
Net Interest Income	5,546	5,170
Provision for loan losses	<u>105</u>	<u>80</u>
Net interest income after provision for loan losses	5,441	5,090
Non-interest income	941	1,166
Non-interest expenses	<u>5,028</u>	<u>5,011</u>
Income before income taxes	1,355	1,245
Provision for income taxes	<u>227</u>	<u>322</u>
Net income	<u>\$1,128</u>	<u>\$923</u>
Average common shares outstanding	252,466	126,334

**PER COMMON SHARE**

(2017 Restated to reflect 2:1 Stock Split)

Net income	\$4.48	\$3.66
Book value	\$57.33	\$56.81
Closing bid price	\$51.50	\$49.00
Closing ask price	\$54.00	\$51.45

**FINANCIAL RATIOS**

Return on average assets	0.74%	0.64%
Return on average equity	8.67%	7.24%
Net interest margin	3.96%	3.92%
Efficiency ratio	77.50%	79.09%
Loans to deposits	74.70%	78.84%
Allowance for loan losses to loans	1.31%	1.24%

**PERIOD END BALANCES**

	As of <u>Nov 30, 2018</u>	As of <u>Nov 30, 2017</u>
Assets	\$175,799	\$162,500
Loans - net of allowance	\$115,921	\$112,856
Deposits	\$155,293	\$143,153
Shareholders' equity	\$14,423	\$14,347
Common shares outstanding	251,561	126,287