



First National Bank

You. First. Always.

July 30, 2022

Dear Shareholders and Friends:

It is hard to believe we are already past the halfway point of the year, and fall is just around the corner. The cicadas are out and a customer told me today that means we only have 6 weeks until the first frost. While I'm not overly confident about forecasting the date of the first frost, I am confident our team at First National Bank is always working hard to improve lives through community banking.

2022 has been another unique year so far. As expected, the revenue from Paycheck Protection Program (PPP) loans largely finished by the end of 2021 and interest rates also started to climb. However, rates have climbed more significantly than almost everyone predicted as the Fed has increased the Prime rate by 2.25% so far this year. As a result, the mortgage refinance industry has come to a screeching halt. Home purchase and construction business is still healthy but continued low inventories of housing have made it difficult for many of our pre-approved customers to find homes. Unemployment remains low, but inflation has increased the cost of living for everyone, and it remains to be seen what long-term impact these changes will have on the economy.

In the meantime, the Bank's net interest margin through June 30, 2022, is strong at 3.38% and above budget even without the benefit of PPP and mortgage refinance income. YTD net income of \$848,000 is down from 2021 YTD as expected but is ahead of budget for the year. This net income contributes to an ROA of 0.71% and ROE of 9.97%. Year over year asset growth is \$8.2 million, or 3.6%. We have also experienced another excellent year of deposit growth as balances are up \$12.5 million or 6.1% year over year through June 30.

We continue to make exciting progress on our new Lima branch at 2580 Eastown Road between Lock Sixteen and Menards. We broke ground in June and are still on track for a December branch opening, and we appreciate the efforts of our local contractors who are helping us make this branch a reality. Our team is in the process of hiring staff for the new branch, and we can't wait to introduce the newest members of our excellent team to the community later this fall.

As of 6/30/2022 the closing ask price for our stock is \$82.95, which is up 14% YOY. If you are interested in buying or selling Pandora Bancshares, Inc. stock, please contact our market maker Jennifer McFarland with Community Banc Investments, Inc. at jennifer@cbibankstocks.com or 800-224-1013. If you would like to get our newsletter electronically or receive direct deposit of dividends, please contact Heather Taviano at htaviano@e-fnb.com or 419-384-9104.

We are very excited about the remainder of 2022 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

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Equal Housing Lender

Pandora Bancshares, Inc. and Subsidiary

Financial Information (unaudited) (dollars in thousands, except share data)	Six Months Ended Jun 30, 2022	Six Months Ended Jun 30, 2021
CONDENSED STATEMENT OF INCOME		
Interest Income	\$3,930	\$4,244
Interest Expense	<u>218</u>	<u>324</u>
Net Interest Income	3,711	3,920
Provision for loan losses	<u>0</u>	<u>90</u>
Net interest income after provision for loan losses	3,711	3,830
Non-interest income	421	949
Non-interest expenses	<u>3,181</u>	<u>3,373</u>
Income before income taxes	951	1,407
Provision for income taxes	<u>103</u>	<u>221</u>
Net income	<u>\$848</u>	<u>\$1,186</u>
Average common shares outstanding	252,443	252,026
PER COMMON SHARE		
Net income	\$3.36	\$4.70
Book value	\$60.11	\$76.70
Closing bid price	\$79.00	\$69.30
Closing ask price	\$82.95	\$72.75
FINANCIAL RATIOS		
Return on average assets	0.71%	1.05%
Return on average equity	9.97%	12.59%
Net interest margin	3.38%	3.76%
Efficiency ratio	76.99%	69.27%
Loans to deposits	66.19%	68.44%
Allowance for loan losses to loans	1.39%	1.42%
PERIOD END BALANCES		
	As of <u>Jun 30, 2022</u>	As of <u>Jun 30, 2021</u>
Assets	\$238,065	\$229,845
Loans - net of allowance	\$145,249	\$141,601
Deposits	\$219,456	\$206,909
Shareholders' equity	\$15,174	\$19,334
Common shares outstanding	251,724	252,059