



First National Bank

You. First. Always.

January 3, 2023

Dear Shareholders and Friends:

Pandora Bancshares, Inc. is happy to announce that 2022 has been another profitable year that added value for our shareholders. Final figures for 2022 are unavailable for publication, but we are pleased with the preliminary 2022 results. As expected, earnings are down compared to the same period in 2021 because rising interest rates in Summer, 2022, brought mortgage refinance activity to a standstill. However, as of 11-30-2022, the bank is still having a strong year as net income has already exceeded budget, net interest margin is staying ahead of expectations, and credit quality is excellent with loan delinquency rates at First National Bank remaining near historic lows. Loan and deposit growth have both remained solid and balances are up 8.1% and 4.4% respectively year over year. Total assets are also up 1.5% compared to 11-30-2021.

First National Bank's excellent performance has resulted in a declaration of \$1.70 per share dividend for all shareholders on the January 2, 2023, date of record, payable January 31, 2023. This is a 6.25% increase over the previous year's dividend. Comparing November 30, 2021, to November 30, 2022, the value of Pandora Bancshares Inc. stock increased \$6.10 or 7.88%. That, along with the \$1.70 cash dividend, earned our shareholders a total return of 10.08%. We believe this positive trend will continue, and the stable economy will provide a solid base for meeting our five-year strategic plan.

This past year provided many opportunities to improve lives in our communities. Our team volunteered their time at local events and supported various non-profits. The new branch in Lima next to Menards on Eastown Road is nearing completion and will be open for business later this month, and we have a great team of First National Bankers ready to live our mission of Improving Lives Through Community Banking in the Limaland area.

2023 will be another exciting year. No one—including the Federal Reserve—predicted the significant increase in interest rates in 2022, and we do not ultimately know what will happen with rates and the larger economy in 2023. What we do know is that First National will continue to serve our customers and communities, and we will continue to provide quality local banking services to those who need them.

The Bank's directors, management and staff are 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 you joining us via Zoom for our Annual Shareholder Meeting on April 29th, 2023. Additional information regarding this meeting will be included in the package you will be receiving at the end of March along with our annual shareholder booklet and your proxy. As always, if you are interested in purchasing or selling stock, please feel free to contact Jennifer McFarland at 1-800-224-1013 or by email at jennifer@cbibankstocks.com. The current bid price is \$83.50 per share and the current ask price is \$87.65 per share.

Respectfully,

Todd A. Mason
President & CEO
The First National Bank

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Member FDIC

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Equal Housing Lender

Pandora Bancshares, Inc. and Subsidiary

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

Eleven Months Ended
Nov 30, 2022

Eleven Months Ended
Nov 30, 2021

CONDENSED STATEMENT OF INCOME

Interest Income	\$7,637	\$8,065
Interest Expense	<u>715</u>	<u>537</u>
Net Interest Income	6,922	7,527
Provision for loan losses	<u>0</u>	<u>90</u>
Net interest income after provision for loan losses	6,922	7,437
Non-interest income	808	1,603
Non-interest expenses	<u>5,933</u>	<u>6,302</u>
Income before income taxes	1,797	2,738
Provision for income taxes	<u>207</u>	<u>454</u>
Net income	<u>\$1,590</u>	<u>\$2,284</u>
Average common shares outstanding	252,203	252,105

PER COMMON SHARE

Net income	\$6.30	\$9.06
Book value	\$56.12	\$77.20
Book value excluding unrealized gain (loss)	\$84.14	\$79.65
Closing bid price	\$83.50	\$77.40
Closing ask price	\$87.65	\$81.25

FINANCIAL RATIOS

Return on average assets	0.72%	1.08%
Return on average equity	10.84%	12.92%
Net interest margin	3.43%	3.84%
Efficiency ratio	76.75%	69.02%
Loans to deposits	67.75%	65.45%
Allowance for loan losses to loans	1.35%	1.42%

PERIOD END BALANCES

	As of <u>Nov 30, 2022</u>	As of <u>Nov 30, 2021</u>
Assets	\$245,340	\$241,678
Loans - net of allowance	\$154,206	\$142,681
Deposits	\$227,612	\$217,986
Shareholders' equity	\$14,154	\$19,463
Common shares outstanding	251,127	251,410