



First National Bank

You. First. Always.

May 8, 2023

Dear Shareholders and Friends:

On April 29, 2023, we held our annual shareholder meeting via Zoom. The meeting gave us an opportunity to tell the ongoing story of First National Bank as we improved lives through community banking during another exciting year. Our management team always looks forward to the opportunity to present the “State of the Bank” address to our owners. Larry Hoffman, our CFO, reviewed our outstanding financial accomplishments in 2022. Jennifer Vastano, our COO, shared the strong results of our annual customer survey and talked about all the great things our team is doing in our local communities. Brendon Matthews, our Chief Lending Officer, shared information on the Bank’s loan portfolio and announced plans for FNB to begin construction on a 2nd full-service branch in Lima in 2023. The new branch will be located at the intersection of State Route 117 and Greely Chapel Road near I75 in Lima and is slated to open in Spring, 2024. This 2nd location will complement the brand-new branch location we opened in January at 2580 Eastown Road near Menards on the west side of Lima. We look forward to meeting our mission of improving lives through community banking to existing and new clients in Lima. If you would like a copy of either of these slide presentations, simply email Heather Taviano at htaviano@e-fnb.com with your request.

The book value and closing price on our shares have both increased, which is wonderful news. I am pleased to report a year-over-year increase in the market price of our stock of 8.00% as of 3-31-2023. We have seen much success with our stock price since we began working with Community Banc Investments as our market maker. If you are interested in purchasing or selling Pandora Bancshares, Inc. stock, please contact Jennifer McFarland at jennifer@cbibankstocks.com or 800-224-1013. Jennifer has recently notified us of a current bid price of \$83.60 and an ask price of \$87.75.

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We continue to see steady year-over-year growth in assets and deposits of 6.2% and 4.6% respectively. In dollars, assets grew by \$14.5 million and deposits \$9.8 million as of 3-31-2023. However, the net interest margin has compressed, primarily due to the rapid increase of interest rates. As a result, the Bank is profitable year to date but slightly behind budget through the first quarter. We will be back in line with the budget from a profitability standpoint by the end of April.

I am proud of our staff and their commitment to our Bank Mission of "Improving Lives Through Community Banking." 2022 was a year where our team was able to resume normal activity and get back out in the community through a variety of volunteer efforts. As a group, we logged over 2,100 hours of community service in 2022!

If you are interested in having your annual dividends paid via direct deposit or to receive our quarterly newsletter by email, please contact Heather Taviano at 567-336-0237 or htaviano@e-fnb.com. If at any time you would like to view past Shareholder letters, Annual reports, or current stock bid and ask prices, these are available at www.e-fnb.com under the Investment tab.

Bank Directors, Management and Staff are enthusiastic about the future of First National Bank, and we will continue to work diligently to increase shareholder value. We thank you for your investment and your current business, and we look forward to your future business.

Respectfully,

Todd A. Mason
President & CEO
First National Bank

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Pandora Bancshares, Inc. and Subsidiary

Financial Information (unaudited) (dollars in thousands, except share data)	Three Months Ended Mar 31, 2023	Three Months Ended Mar 31, 2022
CONDENSED STATEMENT OF INCOME		
Interest Income	\$2,405	\$1,932
Interest Expense	649	99
Net Interest Income	1,755	1,833
Provision for loan losses	0	0
Net interest income after provision for loan losses	1,755	1,833
Non-interest income	194	223
Non-interest expenses	1,734	1,606
Income before income taxes	215	450
Provision/(credit) for income taxes	-16	46
Net income	<u>\$232</u>	<u>\$404</u>
 Average common shares outstanding	 252,451	 252,969

PER COMMON SHARE

Net income	\$0.92	\$1.60
Book value	\$61.55	\$66.69
Book value excluding unrealized gain (loss)	\$83.44	\$79.89
Closing bid price	\$83.60	\$77.40
Closing ask price	\$87.75	\$81.25

FINANCIAL RATIOS

Return on average assets	0.39%	0.69%
Return on average equity	6.24%	9.04%
Net interest margin	3.17%	3.35%
Efficiency ratio	88.95%	78.10%
Loans to deposits	72.95%	66.62%
Allowance for loan losses to loans	1.31%	1.42%

PERIOD END BALANCES

	As of <u>Mar 31, 2023</u>	As of <u>Mar 31, 2022</u>
Assets	\$248,499	\$233,969
Loans - net of allowance	\$162,950	\$142,284
Deposits	\$223,382	\$213,587
Shareholders' equity	\$15,539	\$16,871
 Common shares outstanding	 252,353	 253,031

