



First National Bank

You. First. Always.

November 1, 2023

Dear Shareholders and Friends:

Fall is officially here and that means our farm clients are harvesting in the fields, the holiday season is around the corner, and we're pleased to report our earnings for the 3rd quarter of 2023. As expected, the challenges we discussed in detail in the 2nd quarter earnings report have continued to impact bank financials in the 3rd quarter. Net income is down \$678,000 or 52% year over year, due in large part to a net interest margin of 2.99% that compares to 3.42% a year ago. The most significant cause of the Bank's tighter margin is a very competitive deposit rate environment resulting in an interest expense increase of \$2.088 million year over year. This expense in turn translates to net interest income declining \$555,000 or 9.8% compared to the same timeframe last year. Return on Equity is 5.70% compared to 10.64% at the same time in 2022. Return on Assets is 0.34% compared to 0.73% as of 9/30/22.

In more positive news, loan growth remains strong, and balances are up 10.5% year over year. New loans—in combination with existing balances repricing or paying down—are beginning to have a positive impact on margin. Deposits have also grown and are up 5% compared to the same time last year. Credit quality continues to be excellent, and delinquency remains low and stable. Non-interest income is also up \$165,000 or 25% as mortgage activity—including residential construction—continues to outpace 2022 activity. While non-interest expense is up by \$539,000 or 11.1% year over year, much of the increase is connected to staffing and other expenses at the new Lima West branch on Eastown Road. The branch has been open since January and both account balances and profitability are on track to meet budget. Finally, the Bank's equity is stable and at a similar level to 2022 at \$14.5 million. The Bank's liquidity is also healthy, and contingent funding sources continue to be available in the unlikely event they are ever needed.

The team at First National Bank continues to work towards opening our newest branch in Lima at 1991 Bellefontaine Road just north of Sam's Club. We broke ground in early September, and we are still on track to be open for business in Spring, 2024. As always, we are excited to be working with many local partners on this project who share our passion for improving lives in our communities.

One other reporting item for the benefit of Pandora Bancshares shareholders: Bank directors recently made the decision to hire Clark Schaefer Hackett as the new external auditor for First National Bank and the holding company. This change will enable First National Bank to continue to provide appropriate financial oversight and reporting in the future.

We are beginning our 2024 budgeting process and strategic planning. As we think about next year, we are excited about the prospect of welcoming some strong bankers to our team as we open the Lima East branch, and we know our entire team will be positively impacting our communities through their ongoing community service and volunteering efforts.

Our market maker, Jennifer McFarland, is doing a fantastic job assisting individuals with our Pandora Bancshares stock. As of 9-30-2023 the closing ask price of our stock was \$90.30, which is up 6.2% from 9-30-2022. If you are interested in buying or selling our PDRB stock, please contact Jennifer McFarland at 800-224-1013 or jennifer@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 Taviano at 419-384-9104 or htaviano@e-fnb.com.

We are looking forward to the remainder of 2023. 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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Pandora Bancshares, Inc. and Subsidiary

Financial Information (unaudited) (dollars in thousands, except share data)	Nine Months Ended Sep 30, 2023	Nine Months Ended Sep 30, 2022
CONDENSED STATEMENT OF INCOME		
Interest Income	\$7,619	\$6,085
Interest Expense	<u>2,532</u>	<u>444</u>
Net Interest Income	5,087	5,642
Provision for loan losses	<u>0</u>	<u>0</u>
Net interest income after provision for loan losses	5,087	5,642
Non-interest income	828	663
Non-interest expenses	<u>5,366</u>	<u>4,827</u>
Income before income taxes	549	1,478
Provision/(credit) for income taxes	<u>-86</u>	<u>165</u>
Net income	<u>\$635</u>	<u>\$1,313</u>

Average common shares outstanding	252,083	252,414
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PER COMMON SHARE		
Net income	\$2.52	\$5.20
Book value	\$57.62	\$57.69
Book value excluding unrealized gain (loss)	\$85.41	\$83.06
Closing bid price	\$86.00	\$81.00
Closing ask price	\$90.30	\$85.00

FINANCIAL RATIOS		
Return on average assets	0.34%	0.73%
Return on average equity	5.70%	10.64%
Net interest margin	2.99%	3.42%
Efficiency ratio	90.71%	76.56%
Loans to deposits	72.10%	68.48%
Allowance for loan losses to loans	1.29%	1.36%

PERIOD END BALANCES		
	As of <u>Sep 30, 2023</u>	As of <u>Sep 30, 2022</u>
Assets	\$251,764	\$235,957
Loans - net of allowance	\$165,048	\$149,288
Deposits	\$228,907	\$218,002
Shareholders' equity	\$14,526	\$14,562
Common shares outstanding	252,460	251,387