



First National Bank

You. First. Always.

May 2, 2024

Dear Shareholders and Friends:

On April 27, 2024, we held our annual shareholder meeting via Zoom. The meeting gave us an opportunity to share the ongoing story of First National Bank as we improved lives through community banking during another eventful year. Our management team always looks forward to the opportunity to present the “State of the Bank” address to our owners, and this year was no exception. Larry Hoffman, our CFO, reviewed our financial results for 2023. Jennifer Vastano, our COO, shared the positive feedback from 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 gave an update on the expansion efforts in Lima including the pending opening of a second full-service branch in Lima. 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 May, 2024. This 2nd location will complement the brand new branch location we opened in early 2023 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 the slide presentation, simply email Heather Taviano at htaviano@e-fnb.com with your request.

The book value and closing price for our stock have both increased, which is excellent news. I am pleased to report a year-over-year increase in the market price of our stock of 3.13% as of 3-31-2024. 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 \$86.20 and an ask price of \$90.50.

We continue to see steady year-over-year growth in assets and deposits by 5.6% and 4.8% respectively. In dollars, assets grew by \$13.9 million and deposits by \$10.7 million as of 3-31-2024. However, net interest margin remains compressed, primarily due to the rapid increase of interest rates over the last 24 months. The Bank budgeted for this compression and net income is exceeding budget through the 1st quarter, but profitability is down year over year as expected. As loans in the portfolio reprice up, and funding pressures eventually ease, margin will improve.

I am proud of our staff and their commitment to our Bank Mission of “Improving Lives Through Community Banking.” 2023 was a year where our team continued to demonstrate their commitment to our community by logging a record 2,700 volunteer hours!

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Finally, we have some important announcements to share that were made public at our shareholder meeting. First, Larry Hoffman is retiring as CFO at the end of June. We thank him for his 13 years of outstanding service at FNB and wish him well in his next endeavors. The Bank is in a better place because of Larry's efforts. Second, I announced my upcoming retirement from First National Bank effective March 2025. I have enjoyed my 20 years at First National Bank immensely and will always cherish the memories we have made during my time here. I firmly believe we have positioned the Bank to be a healthy, profitable, and relevant financial institution in our communities for years to come. In the meantime, the Board of Directors will vote to make Brendon Matthews President of the Bank at the May 2024 board meeting. Brendon has served as an employee of FNB since 2006, and he has 22 years of experience as a community banker. He is ready for the challenge and is passionate about the Bank's mission. I will retain the CEO role until my retirement and will continue to serve on the board, thereafter.

We did have one request for feedback from our shareholder meeting. A question was raised as to whether we would consider utilizing a hybrid meeting option, meeting in person with a zoom option available, in future years. Since Covid forced us to hold a virtual shareholder meeting in April 2020, we have continued to utilize Zoom for our shareholder meeting. Your Board of Directors will be happy to follow up on this question, but we wanted to ask for your feedback. We do have two questions for you.

- 1.) Would you like us to offer hybrid shareholder meetings (in person with the ability to zoom in)?
- 2.) If we held a hybrid shareholder meeting, would you attend in-person or via zoom?

We need your help! Please contact Heather Taviano at 567-336-0237 or htaviano@e-fnb.com. After 30 days we will tabulate the responses and inform you of the results in the next quarterly shareholder letter.

If you are interested in having your annual dividends paid via direct deposit or receiving our quarterly newsletter by email, please contact Heather Taviano at her contact information listed above. 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, 2024	Three Months Ended Mar 31, 2023
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CONDENSED STATEMENT OF INCOME

Interest Income	\$2,959	\$2,405
Interest Expense	<u>1,280</u>	<u>649</u>
Net Interest Income	1,679	1,755
Provision (credit) for loan losses	<u>55</u>	<u>0</u>
Net interest income after provision for loan losses	1,624	1,755
Non-interest income	235	194
Non-interest expenses	<u>1,841</u>	<u>1,734</u>
Income before income taxes	18	215
Provision (credit) for income taxes	<u>-64</u>	<u>-16</u>
Net income	<u>\$82</u>	<u>\$232</u>
Average common shares outstanding	252,793	252,451

PER COMMON SHARE

Net income	\$0.32	\$0.92
Book value	\$62.70	\$61.55
Book value excluding unrealized gain (loss)	\$84.34	\$83.44
Closing bid price	\$86.20	\$83.60
Closing ask price	\$90.50	\$87.75

FINANCIAL RATIOS

Return on average assets	0.13%	0.39%
Return on average equity	2.06%	6.24%
Net interest margin	2.85%	3.17%
Efficiency ratio	96.17%	88.95%
Loans to deposits	75.00%	72.95%
Allowance for loan losses to loans	1.26%	1.31%

PERIOD END BALANCES

	As of <u>Mar 31, 2024</u>	As of <u>Mar 31, 2023</u>
Assets	\$262,413	\$248,499
Loans - net of allowance	\$175,577	\$162,950
Deposits	\$234,116	\$223,382
Shareholders' equity	\$15,850	\$15,539
Common shares outstanding	252,684	252,353