



First National Bank

You. First. Always.

July 30, 2024

Dear Shareholders and Friends:

2024 continues to be an eventful year for our country and for First National Bank. A presidential election year is significant for many reasons, but no matter the result FNB will still be here serving our communities and living our mission of Improving Lives Through Community Banking. With that in mind, I'm pleased to report our progress in a variety of areas after a busy 2nd quarter. First, the expansion efforts in Lima culminated in the opening of our second full-service branch in May. The new branch is located at the intersection of State Route 117 and Greely Chapel Road near I75 in Lima and has already been a great complement to new branch location we opened in 2023 at 2580 Eastown Road near Menards on the west side of Lima. After a successful opening and ribbon cutting event in early June, our team led by Martrice Smith has already made significant strides in account openings and relationship building at the new office. We are hosting a community event and open house on August 29 at the branch on Bellefontaine Road, so please stop by and see us.

In terms of the Bank's financial results we continue to see steady year-over-year growth. Loans and deposits increased by 7.5% and 6.8% respectively. In dollars, loans grew by \$12.3 million and deposits by \$15.5 million as of 6-30-2024. Additionally, assets grew by 5.3% and \$13.2 million to \$263.7 million in total. Net interest margin remains compressed at 2.96% compared to 3.05% a year ago, primarily due to the rapid increase of interest rates over the last 24 months. However, we are starting to see margin slowly improve quarter over quarter as existing loans reprice higher, new loans book at market rates, and cheaper deposits—primarily in the form of Ohio Homebuyer Plus savings accounts—flow onto our balance sheet. The Bank budgeted for this compression and so net income is exceeding budget through the first half of the year, but profitability is down compared to 2023 as expected.

As mentioned above, the Ohio Homebuyer Plus program has been a fantastic addition to FNB's suite of product offerings. The program was initiated by the State Treasurer's office in early 2024 in an attempt to spur home ownership for Ohioans by providing above market saving account rates on future home purchase down payments. Participating banks—including FNB—offer the savings account and in exchange the Treasurer's office helps offset the high rate to consumers with low cost deposits for banks. If you or someone you know may be purchasing a primary residence in Ohio in the next five years, this account is something you should consider. Please reach out to anyone on our team for more information.

Our team continues to be committed to our Bank Mission of "Improving Lives Through Community Banking." In addition to the usual volunteering efforts, we have been active in our communities this year so far through a variety of avenues including homebuyer workshops, community financial education seminars, school financial literacy programs, and youth savings opportunities highlighted by our popular summer Lemonade Stand kit that encourages our young people to be entrepreneurial and industrious.

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In shareholder news, the book value and closing price for our stock have both increased, and I am pleased to report a year-over-year increase in the market price of our stock of 2.6% as of 6-30-2024. 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. 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.

In our last quarterly newsletter we requested feedback about our annual shareholder meeting. We appreciate the responses we received regarding whether the Bank should consider utilizing a hybrid meeting option in future years which would include both an in-person and a virtual zoom option. Based on your responses, we will likely incorporate the hybrid option into future meetings. Stay tuned and we will provide more detail as we get closer to our next annual shareholder meeting in April, 2025.

The last quarterly newsletter also reported several notable upcoming personnel changes at the Bank. Our CFO, Larry Hoffman retired at the end of June, and we are pleased to welcome Derrick Lee, our new CFO, to the FNB family. Derrick has his CPA, lives in our market, and joins the bank with many years of accounting experience primarily in the manufacturing industry. Todd Mason remains the Bank's CEO after my transition to President of FNB in May, and I'm thrilled to be working in this new role on your behalf.

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 and meet our mission. We thank you for your investment, your support, and your referrals.

Respectfully,

Brendon Matthews
President
First National Bank

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Pandora Bancshares, Inc. and Subsidiary

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

Six Months
Ended
Jun 30, 2024

Six Months
Ended
Jun 30, 2023

CONDENSED STATEMENT OF INCOME

Interest Income	\$6,087	\$4,961
Interest Expense	<u>2,571</u>	<u>1,527</u>
Net Interest Income	3,516	3,433
Provision (credit) for loan losses	<u>75</u>	<u>0</u>
Net interest income after provision for loan losses	3,441	3,433
Non-interest income	521	569
Non-interest expenses	<u>3,801</u>	<u>3,552</u>
Income before income taxes	161	451
Provision (credit) for income taxes	<u>-101</u>	<u>-46</u>
Net income	<u>\$262</u>	<u>\$497</u>
Average common shares outstanding	252,902	251,950

PER COMMON SHARE

Net income	\$1.04	\$1.97
Book value	\$65.33	\$59.25
Book value excluding unrealized gain (loss)	\$85.34	\$84.53
Closing bid price	\$86.50	\$84.30
Closing ask price	\$90.80	\$88.50

FINANCIAL RATIOS

Return on average assets	0.20%	0.41%
Return on average equity	3.25%	6.67%
Net interest margin	2.96%	3.05%
Efficiency ratio	94.15%	88.73%
Loans to deposits	72.78%	72.34%
Allowance for loan losses to loans	1.27%	1.30%

PERIOD END BALANCES

	As of <u>Jun 30, 2024</u>	As of <u>Jun 30, 2023</u>
Assets	\$263,743	\$250,498
Loans - net of allowance	\$176,432	\$164,174
Deposits	\$242,417	\$226,943
Shareholders' equity	\$16,523	\$14,929
Common shares outstanding	253,673	251,333

