



First National Bank

You. First. Always.



Annual Report

2024

Pandora Bancshares, Inc.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

Pandora Bancshares, Inc.
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**PANDORA BANCSHARES, INC. & SUBSIDIARY
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YEARS ENDED DECEMBER 31, 2024 AND 2023**

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January 31, 2025

Dear Shareholders and Friends:

Every year presents its challenges and successes, and this past year for First National Bank was no different. The Bank began 2024 still dealing with issues impacting many banks including elevated funding costs, a sluggish local real estate market, and a compressed net interest margin. The Bank was also absorbing the initial financial impact of opening full-service branches on Eastown Road (January 2023) and Bellefontaine Road (May 2024) in Lima. Despite these challenges, First National Bank had a very successful and profitable year. Through a combination of modest core deposit growth and the Ohio Homebuyer Plus Savings Program, the Bank was able to begin lowering funding costs. The Bank's mortgage team increased activity year over year which positively impacted the bottom line. Net interest margin improved due to a combination of loans repricing, new loan volume, and the lower funding costs previously mentioned. And finally, while the two new Lima branches are still in the early stages of operation, both are ahead of schedule in terms of activity and growth.

FNB exceeded budgeted net income by 20% and maintained excellent credit quality in the loan portfolio. Loan balances grew 6.6% year over year, Deposits increased 8.4%, Assets grew 6.0%, and our Pandora Bancshares stock market price has also appreciated 0.9% since December 31, 2023. We are also pleased because this strong overall performance allowed us to maintain our dividend per share payout year over year.

The Bank's mission is "Improving Lives Through Community Banking" and the best example of FNB living out this purpose is the efforts of our bank employees. In each of the last three years, the team challenged themselves to volunteer more than the previous year. This culminated in 2024 with over 3,400 hours of community service. Additionally, financial literacy was a significant piece of the outreach, and the Bank team led 32 presentations and spoke to over 850 students and community members about financial literacy topics. Every employee at FNB took part in these efforts and demonstrated what living our mission of "Improving Lives Through Community Banking" looks like in practice. Without our great people, First National Bank would not be thriving, and we know our success is a direct result of their dedication.

We share our team's passion for serving the community, and we will continue to find ways to make banking easier for all of our customers. Our full-service branches on Eastown and Bellefontaine Roads in Lima were built with this priority in mind, and we will also be launching an upgraded website in the first half of 2025 to enhance our digital and mobile banking services.

Jennifer McFarland, from Community Banc Investments, is the market maker for our stock. Community Banc Investments deals only with community bank stocks in Ohio. Since we began working with Community Banc Investments in 2015, we have seen an average annual increase of 8.1% in our stock price. If you are interested in purchasing or selling Pandora Bancshares, Inc. stock, please contact Jennifer McFarland at jennifer@cbibankstocks.com or by phone at 800-224-1013.

Our Directors, Management, and Staff are very excited about the continued positive direction of First National Bank and the 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 for our Annual Shareholder Meeting on Saturday April 26, 2025, at 10:00 AM via Zoom or in person at our Pandora branch.

Respectfully,



Brendon Matthews
President
First National Bank



Jared Lehman
Chairman
Pandora Bancshares, Inc.



Todd Mason
Chairman
First National Bank

Pandora Bancshares, Inc.

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PANDORA BANCSHARES, INC. & SUBSIDIARY
FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA (UNAUDITED)

	Years Ended December 31,				
	2024	2023	2022	2021	2020
	(Dollars in Thousands, Except per Share Data)				
Statements of Operations:					
Total Interest Income	\$ 12,749	\$ 10,551	\$ 8,459	\$ 8,749	\$ 8,908
Total Interest Expense	5,135	3,697	896	574	1,457
Net Interest Income	7,614	6,854	7,563	8,175	7,451
Provision for Loan Losses	225	42	(200)	90	325
Net Interest Income After Provision for Loan Losses	7,389	6,812	7,763	8,085	7,126
Total Noninterest Income	1,171	1,084	898	1,716	2,135
Total Noninterest Expenses	7,951	7,234	6,662	7,057	6,641
Income Before Federal Income Taxes	609	662	1,999	2,744	2,620
Federal Income Taxes (Credit)	(121)	(118)	216	449	425
Net Income	<u>\$ 730</u>	<u>\$ 780</u>	<u>\$ 1,783</u>	<u>\$ 2,295</u>	<u>\$ 2,195</u>
Per Share of Common Stock:					
Net Income	\$ 2.88	\$ 3.09	\$ 7.07	\$ 9.10	\$ 8.68
Dividends	1.80	1.80	1.70	1.60	1.50
Book Value	68.23	63.64	57.98	77.04	74.78
Year-End Balances:					
Loans, Net (A)	\$ 182,214	\$ 170,955	\$ 157,310	\$ 142,842	\$ 140,281
Securities and Other Investments	59,607	64,150	64,621	73,561	63,019
Total Assets	274,762	259,228	241,943	239,773	221,473
Deposits	254,343	234,617	221,892	215,816	198,306
Stockholders' Equity	17,280	16,049	14,575	19,407	18,896
Average Balances:					
Loans, Net (A)	\$ 175,664	\$ 163,079	\$ 146,595	\$ 143,100	\$ 135,188
Securities and Other Investments	62,812	64,051	69,342	65,547	49,642
Total Assets	260,312	248,914	240,177	231,793	204,809
Deposits	244,481	225,825	220,863	208,833	182,523
Stockholders' Equity	16,834	15,124	16,118	19,303	17,915
Selected Ratios:					
Net Yield on Average Interest-Earning Assets	3.12%	3.00%	3.43%	3.80%	3.88%
Return on Average Assets	0.28%	0.31%	0.74%	0.99%	1.07%
Return on Average Stockholders' Equity	4.34%	5.16%	11.06%	11.89%	12.25%
Allowance for Loan Losses as a Percentage of Year-End Loans	1.32%	1.26%	1.20%	1.42%	1.40%
Year-End Stockholders' Equity as a Percentage of Year-End Assets	6.29%	6.19%	6.02%	8.09%	8.53%

(A) Includes Loans Held for Sale

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pandora Bancshares, Inc.
Pandora, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Pandora Bancshares, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pandora Bancshares, Inc. as of December 31, 2024 and 2023 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Pandora Bancshares, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about Pandora Bancshares, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pandora Bancshares, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are any conditions or events, considered in the aggregate, that raise substantial doubt about Pandora Bancshares, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Other Information Included in the Corporation's Annual Report

Management is responsible for the other information included in the Corporation's Annual Report. The other information comprises the letter to stockholders, five-year summary of selected financial data, personnel and director information, investor and annual meeting information, and bank location information, but it does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
February 21, 2025

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

ASSETS	2024	2023
Cash Due from Banks	\$ 10,755,733	\$ 6,226,060
Federal Funds Sold	5,025,000	1,808,000
Total Cash and Cash Equivalents	15,780,733	8,034,060
Securities, Available-for-Sale	57,504,539	61,784,914
Other Investments	2,102,730	2,364,976
Loans Held for Sale	574,200	264,900
Loans, Net of Allowance for Credit Losses of \$2,428,187 and \$2,185,558, at December 31, 2024 and 2023, respectively	181,639,810	170,690,252
Premises and Equipment, Net	9,436,186	8,406,104
Accrued Interest Receivable	1,226,522	1,077,285
Bank Owned Life Insurance	4,177,062	4,082,650
Deferred Tax Asset, Net	1,595,648	1,666,000
Other Assets	724,433	856,966
Total Assets	\$ 274,761,863	\$ 259,228,107
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest Bearing	18,017,506	18,079,187
Interest Bearing	236,325,322	216,537,704
Total Deposits	254,342,828	234,616,891
Federal Home Loan Bank Borrowings	244,535	5,362,927
Other Liabilities	2,894,502	3,199,110
Total Liabilities	257,481,865	243,178,928
STOCKHOLDERS' EQUITY		
Common Stock, \$2.50 Par Value; Authorized 3,000,000 Shares, Issued 328,776 Shares, 253,708 and 252,700 Outstanding at December 31, 2024 and 2023, respectively	821,940	821,940
Additional Paid-In Capital	2,846,417	2,846,417
Retained Earnings	20,258,842	19,985,800
Accumulated Other Comprehensive Loss	(4,316,704)	(5,191,643)
Treasury Stock, at Cost - 75,068 and 76,076 Shares, at December 31, 2024 and 2023, respectively	(2,330,497)	(2,413,335)
Total Stockholders' Equity	17,279,998	16,049,179
Total Liabilities and Stockholders' Equity	\$ 274,761,863	\$ 259,228,107

See accompanying Notes to the Consolidated Financial Statements.

**PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
INTEREST INCOME		
Loans - Including Fees	\$ 11,309,419	\$ 9,263,908
Securities:		
Taxable	1,095,522	1,135,236
Tax Exempt	34,733	26,538
Dividends on Restricted Stock	52,087	48,151
Other	257,234	77,596
Total Interest Income	<u>12,748,995</u>	<u>10,551,429</u>
INTEREST EXPENSE		
Deposits	4,987,805	3,472,512
Other Borrowings	147,452	224,901
Total Interest Expense	<u>5,135,257</u>	<u>3,697,413</u>
NET INTEREST INCOME	7,613,738	6,854,016
CREDIT LOSS EXPENSE - LOANS	<u>225,000</u>	<u>42,000</u>
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	7,388,738	6,812,016
NONINTEREST INCOME		
Customer Service Charges	245,929	232,448
ATM and Debit Card Interchange Fees	443,182	418,554
Gain on Sale of Loans	323,567	258,866
Earnings on Bank Owned Life Insurance	94,412	170,220
Other, Net	64,448	3,591
Total Noninterest Income	<u>1,171,538</u>	<u>1,083,679</u>
NONINTEREST EXPENSES		
Salaries, Wages, and Employee Benefits	4,529,056	4,097,982
Occupancy and Equipment	690,982	559,999
Data Processing	726,117	697,452
Federal Deposit Insurance Assessment	161,000	136,500
Professional and Director Fees	370,881	353,210
Advertising and Marketing	247,314	188,501
Ohio Financial Institution Tax	128,392	116,601
Other Operating Expenses	1,097,618	1,083,388
Total Noninterest Expenses	<u>7,951,360</u>	<u>7,233,633</u>
INCOME BEFORE INCOME TAXES	608,916	662,062
PROVISION (CREDIT) FOR INCOME TAXES	<u>(120,800)</u>	<u>(118,000)</u>
NET INCOME	<u>\$ 729,716</u>	<u>\$ 780,062</u>
NET INCOME PER SHARE	<u>\$ 2.88</u>	<u>\$ 3.09</u>

See accompanying Notes to the Consolidated Financial Statements.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
NET INCOME	\$ 729,716	\$ 780,062
OTHER COMPREHENSIVE INCOME		
Change in Unrealized Gains on Available-for-Sale Securities	1,107,518	1,569,889
Reclassification Adjustments for Securities' Gains Realized in Net Income, Net of Tax	-	-
Net Unrealized Gains	1,107,518	1,569,889
INCOME TAX EFFECT	232,579	329,677
OTHER COMPREHENSIVE INCOME	874,939	1,240,212
TOTAL COMPREHENSIVE INCOME	\$ 1,604,655	\$ 2,020,274

See accompanying Notes to the Consolidated Financial Statements.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
BALANCE - DECEMBER 31, 2022	\$ 821,940	\$ 2,846,417	\$ 19,861,988	\$ (6,431,855)	\$ (2,523,345)	\$ 14,575,145
Cumulative change in accounting principle, net of tax of \$53,534	-	-	(201,390)	-	-	(201,390)
BALANCE - JANUARY 1, 2023	\$ 821,940	\$ 2,846,417	\$ 19,660,598	\$ (6,431,855)	\$ (2,523,345)	\$ 14,373,755
Net Income	-	-	780,062	-	-	780,062
Other Comprehensive Income, net of tax	-	-	-	1,240,212	-	1,240,212
Purchase of Treasury Shares - 1,817 Shares	-	-	-	-	(152,353)	(152,353)
Stock Based Compensation - 1,320 Shares	-	-	-	-	110,220	110,220
Employee Stock Purchase Plan - 1,822 Shares	-	-	-	-	152,143	152,143
Dividends Declared - \$1.80 per share	-	-	(454,860)	-	-	(454,860)
BALANCE - DECEMBER 31, 2023	821,940	2,846,417	19,985,800	(5,191,643)	(2,413,335)	16,049,179
Net Income	-	-	729,716	-	-	729,716
Other Comprehensive Income, net of tax	-	-	-	874,939	-	874,939
Purchase of Treasury Shares - 745 Shares	-	-	-	-	(64,681)	(64,681)
Stock Based Compensation - 1,003 Shares	-	-	-	-	84,736	84,736
Employee Stock Purchase Plan - 750 Shares	-	-	-	-	62,783	62,783
Dividends Declared - \$1.80 per share	-	-	(456,674)	-	-	(456,674)
BALANCE - DECEMBER 31, 2024	<u>\$ 821,940</u>	<u>\$ 2,846,417</u>	<u>\$ 20,258,842</u>	<u>\$ (4,316,704)</u>	<u>\$ (2,330,497)</u>	<u>\$ 17,279,998</u>

See accompanying Notes to the Consolidated Financial Statements.

**PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 729,716	\$ 780,062
Adjustments to Reconcile Net Income to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation and Amortization of Assets	614,857	537,359
Provision for Credit Losses	225,000	42,000
Amortization on Securities, Net	161,183	174,542
Deferred Federal Income Taxes	(162,227)	(156,143)
Stock Based Compensation	84,736	110,220
Earnings on Bank Owned Life Insurance	(94,412)	(170,220)
Loss on Other Investments	129,546	170,009
Gain on Sale of Loans	(323,567)	(258,866)
Loss on Disposal of Equipment	-	1,278
Net Change in Assets:		
Accrued Interest Receivable	(149,237)	(199,866)
Other Assets	6,212	139,611
Net Change in Other Liabilities	(46,328)	(176,098)
Net Cash Provided by Operating Activities	1,175,479	993,888
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities, Available-for-Sale:		
Maturities, Prepayments, and Calls	5,226,710	2,351,295
Purchases	-	(810,808)
Proceeds from Life Insurance	-	675,988
Net Increase in Loans	(11,296,704)	(13,796,396)
Cash Paid for Other Investments	(243,468)	(1,051,463)
Purchase of Federal Home Loan Bank Stock	132,700	585,100
Capital Expenditures	(1,398,831)	(3,087,462)
Net Cash Used in Investing Activities	(7,579,593)	(15,133,746)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	19,725,937	12,724,440
Principal Payments on Federal Home Loan Bank Borrowings	(26,258,392)	(43,642,358)
Principal Advances on Federal Home Loan Bank Borrowings	21,140,000	47,500,000
Proceeds from Sale of Treasury Shares	62,783	152,143
Purchase of Treasury Shares	(64,681)	(152,353)
Payment of Dividends	(454,860)	(427,337)
Net Cash Provided by Financing Activities	14,150,787	16,154,535
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,746,673	2,014,677
Cash and Cash Equivalents - Beginning of Year	8,034,060	6,019,383
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 15,780,733	\$ 8,034,060

See accompanying Notes to the Consolidated Financial Statements.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for:		
Interest	\$ 5,125,381	\$ 3,737,363
Income Taxes	\$ -	\$ -
 SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES		
Noncash Operating Activity:		
Change in Deferred Income Taxes on Net Unrealized Gains (Losses) on Available-for-Sale Securities	\$ 232,579	\$ 329,677
Noncash Investing Activity:		
Change in Unrealized Gain on Securities Available-for-Sale	\$ 1,107,518	\$ 1,569,889
Noncash Financing Activity:		
Transfer of Construction in Process to Premises and Equipment	\$ 2,185,806	\$ 3,783,744
Noncash Financing Activity:		
Dividends Declared But Not Yet Paid	\$ 456,674	\$ 454,860

See accompanying Notes to the Consolidated Financial Statements.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies and practices of Pandora Bancshares, Inc. & Subsidiary (the “Company or Corporation”) are set forth to facilitate the understanding of the data presented in the financial statements.

Nature of Operations

Pandora Bancshares, Inc. was incorporated in 1986 in the state of Ohio as a single bank holding company for First National Bank of Pandora (the Bank). The Corporation, through its wholly owned subsidiary, the Bank, operates in one industry segment, the commercial banking industry. The Bank, organized in 1919 as a national chartered bank, is headquartered in Pandora, Ohio, with branch offices in Bluffton, Findlay, Ottawa, and Lima Ohio.

The primary source of revenue of the Bank is providing loans to customers primarily located in Northwestern and West Central Ohio. Such customers are predominately small and middle-market businesses and individuals.

Significant accounting policies followed by the Corporation are presented below.

Basis of Presentation

The accounting and reporting policies of the Company conform with accounting principles generally accepted in United States of America (GAAP) as contained in the Accounting Standards Codification (ASC) issued by the Financial Accounting Standards Board (FASB) and general practices within the financial services industry. Amounts denoted in thousands will be noted.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the present economic environment. In connection with the determination of the estimated losses on loans (the statement of operation’s credit loss (recovery) expense) management must exercise judgment and obtain independent appraisals for significant collateral.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially. However, the amount of the change that is reasonably possible cannot be presently estimated.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold which mature overnight or within four days, and bank certificates of deposit with original maturities of 90 days or less.

Securities and Other Investments

Securities that are classified as available-for-sale are recorded at fair value, with unrealized gains and losses, net of applicable income taxes, excluded from income and reported as a component of other comprehensive income.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Purchases and sales of securities are recorded on the trade date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For available-for-sale debt securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Other investments represent the Bank's investments in Federal Home Loan Bank stock, Federal Reserve Bank stock, and low-income housing tax credit investments.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts, and deferred loan fees and costs. Accrued interest receivable totaled is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

The accrual of interest is generally discontinued at the time a loan is 90 days past due unless the credit is well secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All interest accrued but not collected for loans placed on nonaccrual or charged off is reversed against interest income. Interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience utilizing the SCALE methodology and a peer group of comparable banks provides the basis for the estimation of expected credit losses. The peer group consists of banks of similar size with a similar mix of loans. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, and other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Bank has determined that allowance for credit loss related to off-balance sheet unfunded commitments is immaterial to the financial statements.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated costs to sell and any loan balance in excess of such value is charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and fair value adjustments are included in other operating expenses.

Loan Servicing

Mortgage servicing rights are recognized as an asset when acquired through sale of loans. Capitalized servicing rights are reported in other assets and amortized against servicing fee income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Mortgage servicing rights are evaluated for impairment based upon the estimated fair value of the rights as compared to amortized cost. Fair value is determined based upon estimated discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount.

Servicing fee income is recorded for fees earned for servicing loans and is included in other noninterest income, net of amortization of mortgage servicing rights.

Premises and Equipment

Premises and equipment are carried at cost, net of accumulated depreciation. Depreciation is computed using primarily the straight-line method based principally on the estimated useful lives of the assets. Useful lives range from 25 to 40 years for land improvements and buildings to 3 to 15 years for furniture and equipment. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Federal Home Loan Bank (FHLB) Stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Federal Reserve Bank (FRB) Stock

The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supplemental Retirement and Postretirement Benefits

Annual provisions are made for the estimated liability for accumulated supplemental retirement benefits under agreements with certain officers, directors, and former employees of the Bank. These provisions are determined based on the terms of the agreements, as well as certain assumptions including estimated service periods and discount rates.

Stock Based Compensation

Compensation expense is recognized for the granting of stock to employees, based on the fair value of the common stock at the date of grant. Stock is granted annually to employees at the discretion of the Board of Directors. The Company does not have stock options or restricted stock awards/units.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred.

Federal Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale which are also recognized as separate components of equity, net of tax.

There were no reclassification adjustments of accumulated other comprehensive income as of December 31, 2024 and 2023.

Earnings Per Share

Net income per common share represents net income divided by the weighted average number of common shares outstanding during the year, amounting to 253,251 in 2024 and 252,198 in 2023. Dividends per share are based on the number of shares outstanding at the declaration date.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Revenue from Contracts with Customers

The Bank records revenue from contracts with customers in accordance ASC 606, Revenue from Contracts with Customers (ASC 606). Under ASC 606, the Bank must identify the contract with a customer, identify the performance obligation(s) within the contract, determine the transaction price, allocate the transaction price to the performance obligation(s) within the contract, and recognize revenue when (or as) the performance obligation(s) are/is satisfied. The core principle under ASC 606 requires the Bank to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The Bank generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgement involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The majority of the Bank's revenue is not subject to ASC 606. A description of the Bank's revenue streams accounted for under ASC 606 is as follows:

Customer Service Charges – The Bank earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include automated teller machine (ATM) use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Bank fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Bank satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

ATM and Debit Card Fees – The Bank earns interchange fees from debit cardholder transactions conducted through the Visa and Mastercard payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Reclassification

Certain items in the prior year consolidated financial statements have been reclassified to conform to the presentation of the current year consolidated financial statements. Reclassifications had no effect on prior year net income or total stockholders' equity.

**PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

The Company has evaluated subsequent events for recognition and disclosure through February 21, 2025, which is the date the consolidated financial statements were available to be issued.

Adoption of new accounting standard in 2023

On January 1, 2023, the Bank adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet (OBS) credit exposures. The Company recorded a net decrease to retained earnings of \$254,924 as of January 1, 2023 for the cumulative effect of adopting ASC 326. The transition adjustment is net of deferred federal tax benefit of \$53,534.

The following table illustrates the impact of ASC 326 upon adoption at January 1, 2023.

	As Reported Under <u>ASC 326</u>	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Loans:			
Commercial	\$ 395,191	317,701	77,490
Commercial Real Estate	893,642	705,607	188,035
Consumer	116,155	79,891	36,264
Residential Real Estate	611,375	651,649	(40,274)
Home Equity	<u>144,137</u>	<u>150,728</u>	<u>(6,591)</u>
Allowance for credit losses on loans	<u>\$ 2,160,500</u>	<u>1,905,576</u>	<u>254,924</u>

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2 SECURITIES AND OTHER INVESTMENTS

The amortized cost and fair value of available for sale securities, with gross unrealized gains and losses, at December 31 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>December 31, 2024</u>				
Available-for-Sale Securities:				
U.S. Treasury Bonds and Notes	\$ 9,229,350	\$ -	\$ 650,093	\$ 8,579,257
U.S. Government and Federal Agency Obligations	26,381,132	-	1,662,506	24,718,626
Obligations of State and Political Subdivisions	12,983,816	1,163	1,083,385	11,901,594
Mortgage-Backed	14,374,423	341	2,069,702	12,305,062
Total Available-for-Sale Securities	<u>\$ 62,968,721</u>	<u>\$ 1,504</u>	<u>\$ 5,465,686</u>	<u>\$ 57,504,539</u>
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>December 31, 2023</u>				
Available-for-Sale Securities:				
U.S. Treasury Bonds and Notes	\$ 10,752,561	\$ -	\$ 879,709	\$ 9,872,852
U.S. Government and Federal Agency Obligations	27,419,060	-	2,296,742	25,122,318
Obligations of State and Political Subdivisions	13,900,616	22,852	1,364,717	12,558,751
Mortgage-Backed	16,284,377	2,388	2,055,772	14,230,993
Total Available-for-Sale Securities	<u>\$ 68,356,614</u>	<u>\$ 25,240</u>	<u>\$ 6,596,940</u>	<u>\$ 61,784,914</u>

The amortized cost and fair value of available-for-sale securities at December 31, 2024, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in One Year or Less	\$ 8,366,630	\$ 8,205,902
Due After One Year Through Five Years	36,902,875	33,968,577
Due After Five Years Through Fifteen Years	2,516,165	2,215,207
Thereafter	808,628	809,791
Total	<u>48,594,298</u>	<u>45,199,477</u>
Mortgage-Backed Securities	<u>14,374,423</u>	<u>12,305,062</u>
Total Available-for-Sale Securities	<u>\$ 62,968,721</u>	<u>\$ 57,504,539</u>

At December 31, 2024 and 2023, available-for-sale securities with an amortized cost of \$33,519,961 and \$56,515,674, respectively, and a fair value of \$36,909,959 and \$51,068,388, respectively, were pledged to secure public deposits, borrowings, and for other purposes required or permitted by law.

PANDORA BANCSHARES, INC. & SUBSIDIARY
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YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

As of December 31, 2024 and 2023, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

The table below summarizes investment securities in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2024 and 2023, aggregated by major security type and length of time on a continuous unrealized loss position:

	Securities in a Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months or More		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
<u>December 31, 2024</u>						
U.S. Treasury Bonds and Notes	\$ -	\$ -	\$ 650,093	\$ 8,579,258	\$ 650,093	\$ 8,579,258
U.S. Government and Federal Agency Obligations	-	-	1,662,506	24,718,626	1,662,506	24,718,626
Obligations of State and Political Subdivisions	-	-	1,083,385	11,091,802	1,083,385	11,091,802
Mortgage-Backed	-	-	2,069,702	12,041,388	2,069,702	12,041,388
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,465,686</u>	<u>\$ 56,431,074</u>	<u>\$ 5,465,686</u>	<u>\$ 56,431,074</u>

	Securities in a Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months or More		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
<u>December 31, 2023</u>						
U.S. Treasury Bonds and Notes	\$ -	\$ -	\$ 879,709	\$ 9,872,852	\$ 879,709	\$ 9,872,852
U.S. Government and Federal Agency Obligations	-	-	2,296,743	25,122,318	2,296,743	25,122,318
Obligations of State and Political Subdivisions	-	-	1,364,717	11,726,003	1,364,717	11,726,003
Mortgage-Backed	-	-	2,055,772	13,851,441	2,055,772	13,851,441
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,596,941</u>	<u>\$ 60,572,614</u>	<u>\$ 6,596,941</u>	<u>\$ 60,572,614</u>

Unrealized losses on corporate bonds have not been recognized into income because the issuer(s) bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

**PANDORA BANCSHARES, INC. & SUBSIDIARY
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YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

There were no gross realized gains or losses from sales of available-for-sale securities during both, 2024 and 2023.

Other Investments at December 31, 2024 and 2023 includes Federal Home Loan Bank of Cincinnati stock of \$327,500 in 2024 and \$460,200 in 2023 and Federal Reserve Bank stock of \$85,050 for both years.

The Bank accounts for its investment tax credits using the equity method. The Bank held 2.5 units in the Ohio Capital Corporation Equity Fund for Housing Limited Partnerships, which is defined as a low-income housing tax credit investment, as of December 31, 2024 and 2023, investment amounted to \$1,689,180 and \$1,818,726, respectively. The unpaid balance of capital contribution payable amounted to \$357,248 and \$600,716 at December 31, 2024 and 2023, respectively, and are included in other liabilities in the consolidated balance sheets. The investments are noninterest bearing and payable in installments at the direction of the general partner. The Bank recognized a impairment loss of \$129,546 and \$170,009 during 2024 and in 2023, respectively. These investments also generated investment tax credits as disclosed in Note 9.

NOTE 3 LOANS AND ALLOWANCE FOR CREDIT LOSSES

Most of the Bank's lending activities are with customers located in Northwestern and West Central Ohio. Loans to borrowers in the agriculture industry represent the single largest industry and is generally 12-15% of the Bank's loan portfolio throughout the year. Agriculture loans are generally secured by property, equipment, and crop income. Repayment is expected from cash flow from the harvest and sale of crops. Agriculture customers are subject to the risks of weather and market prices of crops which could have an impact on the ability of these customers to repay their loans. Credit losses arising from the Bank's lending experience in the agriculture industry compare favorably with the Bank's loss experience on their total loan portfolio. Credit evaluation of agriculture lending is based on an evaluation of cash flow coverage of principal and interest payments and the adequacy of collateral received.

Loans receivable at December 31, 2024 and 2023 are summarized as follows:

	2024	2023
Commercial	\$ 22,214,508	\$ 22,280,477
Real Estate:		
Commercial	65,931,489	65,243,420
Home Equity	18,191,836	15,665,674
Residential	73,032,518	64,895,253
Consumer	4,697,646	4,790,986
	<u>184,067,997</u>	<u>172,875,810</u>
Allowance for Credit Losses	(2,428,187)	(2,185,558)
Total	<u>\$ 181,639,810</u>	<u>\$ 170,690,252</u>

**PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 3 LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are loan customers of the Bank.

The following is a summary of activity for such loans:

	2024	2023
Beginning of Year	\$ 522,752	\$ 655,676
Additions	106,000	480,700
Repayments / Retirement of Director	(610,606)	(613,624)
End of Year	\$ 18,146	\$ 522,752

Additions and repayments include loan renewals, as well as borrowings and repayments under revolving lines of credit.

The risk characteristics applicable to each segment of the loan portfolio are described as follows:

Construction loans are included in the commercial real estate and residential real estate loan categories and are underwritten utilizing independent appraisals, sensitivity analysis of absorption, vacancy, and lease rates and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of funds with repayment substantially dependent on the success of the ultimate project. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions, and the availability of long-term financing. The Bank may require guarantees on these loans. The Bank's construction loans are secured primarily by properties located in its primary market area.

The Bank originates 1 - 4 family real estate and consumer loans utilizing credit reports to supplement the underwriting process. The Bank's manual underwriting standards for 1 - 4 family loans are generally in accordance with FHLMC and FNMA manual underwriting guidelines. Properties securing 1 - 4 family real estate loans are appraised by either staff appraisers or fee appraisers, both of which are independent of the loan origination function and have been approved by the board of directors. The loan-to-value ratios normally do not exceed 80% without credit enhancements such as mortgage insurance. The Bank will lend up to 100% of the lesser of the appraised value or purchase price for conventional 1 - 4 family real estate loans, provided private mortgage insurance is obtained. The underwriting standards for consumer loans include a determination of the applicant's payment history on other debts and an assessment of their ability to meet existing obligations and payments on the proposed loan. To monitor and manage loan risk, policies and procedures are developed and modified, as needed by management. This activity, coupled with smaller loan amounts that are spread across many individual borrowers, minimizes risk. Additionally, market conditions are reviewed by management on a regular basis. The Bank's 1 - 4 family real estate loans are secured primarily by properties located in its primary market area.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Commercial and agricultural real estate loans are subject to underwriting standards and processes similar to commercial and agricultural operating loans, in addition to those unique to real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial and agricultural real estate lending typically involves higher loan principal amounts, and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. The loan-to-value ratios of the underlying asset is generally 75% or less. Appraisals on properties securing these loans are generally performed by fee appraisers approved by the board of directors. Because payments on commercial and agricultural real estate loans are often dependent on the successful operation or management of the properties, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. Management monitors and evaluates commercial and agricultural real estate loans based on collateral and risk rating criteria. The Bank may require guarantees on these loans. The Bank's commercial and agricultural real estate loans are secured primarily by properties located in its primary market area.

Commercial and agricultural operating loans are underwritten based on the Bank's examination of current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. This underwriting includes the evaluation of cash flows of the borrower, underlying collateral, if applicable, and the borrower's ability to manage its business activities. The cash flows of borrowers and the collateral securing these loans may fluctuate in value after the initial evaluation. A first priority lien on the general assets of the business normally secures these types of loans. Loan to value limits vary and are dependent upon the nature and type of the underlying collateral and the financial strength of the borrower. Crop and hail insurance are required for most agricultural borrowers. Loans are generally guaranteed by the principal(s). The Bank's commercial and agricultural operating lending is principally in its primary market area.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The following tables present the activity in the Accounting for Credit Losses (ACL) by portfolio segment for the years ended December 31, 2024 and 2023:

<u>December 31, 2024</u>	<u>Commercial</u>	<u>Commercial Real Estate</u>	<u>Residential Real Estate</u>	<u>Home Equity</u>	<u>Consumer</u>	<u>Total</u>
Balance at January 1, 2024	\$ 342,631	\$ 888,511	\$ 672,999	\$ 16,801	\$ 119,616	\$ 2,185,558
Provision (Credit) for						
Credit Losses	150,483	(22,916)	78,263	29,546	(10,376)	225,000
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	17,629	-	17,629
Balance at						
December 31, 2024	<u>\$ 493,114</u>	<u>\$ 865,595</u>	<u>\$ 751,262</u>	<u>\$ 208,976</u>	<u>\$ 109,240</u>	<u>\$ 2,428,187</u>
 <u>December 31, 2023</u>						
Balance at January 1, 2023	\$ 317,701	\$ 705,607	\$ 651,649	\$ 150,728	\$ 79,891	\$ 1,905,576
Impact of adoption ASC 326	77,490	188,035	(40,274)	(6,591)	36,264	254,924
Provision (Credit) for						
Credit Losses	(51,947)	(20,436)	61,624	49,572	3,187	42,000
Charge-offs	(5,878)	-	-	(31,908)	-	(37,786)
Recoveries	5,265	15,305	-	-	274	20,844
Balance at						
December 31, 2023	<u>\$ 342,631</u>	<u>\$ 888,511</u>	<u>\$ 672,999</u>	<u>\$ 16,801</u>	<u>\$ 119,616</u>	<u>\$ 2,185,558</u>

The following table presents loans individually evaluated for impairment by class of loans as of December 31:

	<u>2024</u>		<u>2023</u>	
	<u>Unpaid Principal Balance</u>	<u>Allow ance for Credit Losses</u>	<u>Unpaid Principal Balance</u>	<u>Allow ance for Credit Losses</u>
With No Related Allow ance Recorded:				
Commercial Real Estate	\$ 227,476	\$ -	\$ 434,611	\$ -
Commercial	614,428	167,193	-	-
Total	<u>\$ 841,904</u>	<u>\$ 167,193</u>	<u>\$ 434,611</u>	<u>\$ -</u>

The commercial loan noted above is also on nonaccrual.

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2024 and 2023.

The following is a summary of information for the years ended December 31 pertaining to impaired loans:

	<u>2024</u>	<u>2023</u>
Average Investment in Impaired Loans	\$ 649,061	\$ 520,301
Interest Income Recognized on Impaired Loans	10,231	36,794
Interest Income Recognized on a Cash Basis on Impaired Loans	10,994	38,084

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NOTE 3 LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The recorded investment in loans excludes accrued interest receivable and loan origination fees, net due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs.

The following tables present the aging of the recorded investment in past due and nonaccrual loans for the years ended December 31 by class of loans:

	Loans Past Due Accruing Interest				Loans		Total
	30 – 59 Days	60 – 89 Days	Over 90 Days	Total	Loans on Nonaccrual	Loans not Past Due or on Nonaccrual	
December 31, 2024							
Commercial	\$ 6,249	\$ 38,761	\$ -	\$ 45,010	\$ 614,428	\$ 21,555,070	\$ 22,214,508
Real Estate:							
Commercial	134,499	227,476	379,609	741,584	-	65,189,905	65,931,489
Home Equity	-	-	97,428	97,428	-	18,094,408	18,191,836
Residential	652,391	29,387	152,822	834,600	-	72,197,918	73,032,518
Consumer	13,838	-	10,369	24,207	-	4,673,439	4,697,646
Total	<u>\$ 806,977</u>	<u>\$ 295,624</u>	<u>\$ 640,228</u>	<u>\$ 1,742,829</u>	<u>\$ 614,428</u>	<u>\$ 181,710,740</u>	<u>\$ 184,067,997</u>
December 31, 2023							
Commercial	\$ 213,173	\$ 1,346	\$ -	\$ 214,519	\$ -	\$ 22,065,958	\$ 22,280,477
Real Estate:							
Commercial	267,146	-	434,611	701,757	-	64,541,663	65,243,420
Home Equity	279,529	-	-	279,529	-	15,386,145	15,665,674
Residential	635,189	153,870	2,635	791,694	-	64,103,559	64,895,253
Consumer	-	-	-	-	-	4,790,986	4,790,986
Total	<u>\$ 1,395,037</u>	<u>\$ 155,216</u>	<u>\$ 437,246</u>	<u>\$ 1,987,499</u>	<u>\$ -</u>	<u>\$ 170,888,311</u>	<u>\$ 172,875,810</u>

The Bank had an immaterial amount of interest still accruing on loans that over 90 days past due at both, December 31, 2024 and 2023.

The Bank has analysts who review and validate credit risk on a periodic basis, as well as an external loan review performed annually or semi-annually. Results of the credit analyst and external loan reviews are presented to management and the Audit Committee. The credit analyst and loan review processes compliment and reinforce the risk identification and assessment decisions made by lenders and credit personnel, as well as the Bank's policies and procedures.

Credit Quality Indicators

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis includes all loans from the commercial loan department. This analysis is performed at least annually. The Bank uses the following definitions for risk ratings:

- **Pass:** Loans classified as pass have no existing or known potential weaknesses requiring management's close attention.

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NOTE 3 LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

- **Special Mention:** Loans classified as special mention have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company’s credit position at some future date.
- **Substandard:** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.
- **Doubtful:** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process, are considered to be pass rated loans.

As of December 31, based on the most recent analysis performed, the risk category of loans by class of loans was as follows:

<u>December 31, 2024</u>	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	\$ 20,818,065	\$ -	\$ 1,396,443	\$ -	\$ 22,214,508
Real Estate:					
Commercial	61,650,568	1,227,347	3,053,574	-	65,931,489
Home Equity	17,939,189	-	252,647	-	18,191,836
Residential	72,367,503	-	665,015	-	73,032,518
Consumer	4,543,774	-	153,872	-	4,697,646
Total	<u>\$ 177,319,099</u>	<u>\$ 1,227,347</u>	<u>\$ 5,521,551</u>	<u>\$ -</u>	<u>\$ 184,067,997</u>
<u>December 31, 2023</u>					
Commercial	\$ 21,580,448	\$ 520,670	\$ 179,359	\$ -	\$ 22,280,477
Real Estate:					
Commercial	62,505,414	480,209	2,257,797	-	65,243,420
Home Equity	15,560,674	-	105,000	-	15,665,674
Residential	63,643,949	37,736	1,213,568	-	64,895,253
Consumer	4,753,375	-	37,611	-	4,790,986
Total	<u>\$ 168,043,860</u>	<u>\$ 1,038,615</u>	<u>\$ 3,793,335</u>	<u>\$ -</u>	<u>\$ 172,875,810</u>

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 3 LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Collateral dependent loans

The Bank designates individually evaluated loans on nonaccrual status as collateral dependent loans, as well as other loans that management of the Bank designates as having higher risk. Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. Under the current and expected credit loss (CECL) model, for collateral dependent loans, the Bank has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required. At December 31, 2024 has a specific reserve of approximately \$167,000 for collaterally dependent loans (none at December 31, 2023). Practically all of the bank's loans are secured by underlying collateral.

Loan modifications

From time to time, the terms of certain loans are modified when concessions are granted to borrowers experiencing financial difficulties. Each modification is separately negotiated with the borrower and includes terms and conditions that reflect the borrower's ability to pay the debt as modified. The modification of the terms of such loans may include a temporary or permanent reduction of the stated interest rate of the loan, an extension of the loan's maturity date with a stated rate lower than the current market rate for a new loan with similar risk or granting interest only payments for a certain period of time.

The Bank had no modifications during the year ended December 31, 2024 in response to financial difficulty of a borrower. There were no modified loans that experienced a payment default within twelve months of the restructuring date during the year ended December 31, 2024.

At December 31, 2024, there are no commitments to lend additional funds to any borrower whose loan terms have been modified.

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NOTE 4 PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment consists of the following at December 31:

	2024	2023
Land	2,959,182	2,959,183
Buildings and Building Improvements	9,470,309	7,540,918
Furniture, Fixtures, and Equipment	2,801,807	2,562,019
Construction in Progress	-	786,973
Total Cost	15,231,298	13,849,093
Less: Accumulated Depreciation	5,795,112	5,442,989
Net Premises and Equipment	9,436,186	8,406,104

Depreciation of premises and equipment for the years ended December 31, 2024 and 2023 amounted to \$352,123 and \$276,164, respectively.

Construction in process at December 31, 2023 was related to the newly constructed Lima East branch.

NOTE 5 LEASES

The Bank has entered into an agreement to lease the land serving as the site for its Findlay East branch. Rent expense under the lease was \$25,000 in 2024 and 2023. Future commitments at December 31, 2024 under the extended lease terms are \$175,000, with \$25,000 payable annually through December 31, 2030. The Bank has additional renewal options to extend the lease through December 31, 2050 with total remaining lease payments including the renewal options of approximately \$675,000. The Bank has no non-lease components requiring the practical expedient disclosure.

The Bank has elected to use a risk-free rate as the discount rate for all classes of assets with the discount rate of 2.05%. The Bank includes lease extension options in the lease term if after considering relevant factors it is reasonably certain the Bank will exercise the option.

Right of use assets represent the right to use the underlying asset for the lease term and are recorded with premises and equipment on the balance sheet. Lease liabilities represent the Bank's obligation to make lease payments arising from the lease and are recorded in other liabilities on the balance sheet. Right of use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Right of use assets and lease liabilities were \$519,715 and \$536,341 as of December 31, 2024 and 2023, respectively.

Rent expense under operating leases amounted to \$60,784 and \$50,922 during 2024 and 2023, respectively, and are reported in occupancy and equipment expense in the accompanying consolidated statements of operations. Amortization of the right to use assets amounted to \$32,131 and \$32,151 during 2024 and 2023, respectively.

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YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 6 LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others amounted to \$110,772,905 and \$107,013,733 at December 31, 2024 and 2023, respectively.

The balance of capitalized servicing rights included in other assets amounted to \$597,858 and \$724,179 at December 31, 2024 and 2023, respectively.

During the years ended December 31, 2024 and 2023, the Bank capitalized \$136,413 and \$113,250, respectively, of servicing rights and such amounts are included in gain on sale of loans. Amortization of mortgage servicing rights amounted to \$262,734 in 2024 and \$261,195 in 2023.

NOTE 7 DEPOSITS

The aggregate amount of time deposits in denominations of \$250,000 or more at December 31, 2024 and 2023 approximated \$22,015,000 and \$29,402,000, respectively. Interest expense on these deposits amounted to \$1,414,975 in 2024 and \$725,815 in 2023.

At December 31, 2024, the scheduled maturities of time deposits are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 66,569,962
2026	1,569,472
2027	1,200,964
2028	470,250
2029	212,347
Total	<u>\$ 70,022,995</u>

NOTE 8 FEDERAL HOME LOAN BANK BORROWINGS

Federal Home Loan Bank borrowings consist of advances secured by individual residential mortgages under a blanket agreement amounting to \$244,535 at December 31, 2024 and \$362,927 December 31, 2023. There were also \$5,000,000 of putable five-year advances from the FHLB as of December 31, 2023. These putable advances were paid off during 2024.

Interest on advances outstanding at December 31, 2024 ranged from 1.24% to 1.71%, with interest payable monthly and maturities ranging through June 2028. The weighted-average interest rate of Federal Home Loan Bank borrowings outstanding at December 31, 2024 and 2023 was 1.51% and 3.47% respectively.

Borrowings are secured by mortgage loans approximating \$61,962,000 and \$53,552,000 at December 31, 2024 and 2023, respectively. Advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the Federal Home Loan Bank.

PANDORA BANCSHARES, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 FEDERAL HOME LOAN BANK BORROWINGS (CONTINUED)

Future maturities of Federal Home Loan Bank borrowings at December 31, 2024 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 105,796
2026	82,544
2027	49,335
2028	6,860
2029	-
Thereafter	-
Total	<u>\$ 244,535</u>

NOTE 9 INCOME TAXES

The provision for income taxes for the years ended December 31 consist of the following:

	<u>2024</u>	<u>2023</u>
Current Provision	\$ 41,427	\$ 38,143
Deferred Credit	(162,227)	(156,143)
Total Credit for Income Taxes	<u>\$ (120,800)</u>	<u>\$ (118,000)</u>

The income tax provision attributable to income from operations differed from the amounts computed by applying the U.S. federal income tax rate of 21% for 2024 and 2023 to income before income taxes as a result of the following:

	<u>2024</u>	<u>2023</u>
Expected Tax Using Statutory Tax Rate of 21%	\$ 127,872	\$ 139,000
Increase (Decrease) Resulting from:		
Tax-Exempt Interest Income	(13,945)	(13,700)
Tax-Exempt Income on Life Insurance Policies	(19,826)	(35,700)
Low Income Housing Tax Credits	(226,265)	(207,800)
Other, Net	11,364	200
Total Provision (Credit) for Income Taxes	<u>\$ (120,800)</u>	<u>\$ (118,000)</u>

The low-income housing tax credits resulted from the investment described in Note 2.

The deferred income tax credit recognized above resulted from the tax effects of temporary differences. There was no impact for changes in tax laws and rates for deferred tax assets.

**PANDORA BANCSHARES, INC. & SUBSIDIARY
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NOTE 9 INCOME TAXES (CONTINUED)

The components of deferred tax assets and liabilities consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Deferred Tax Assets:		
Allowance for Credit Losses	\$ 445,182	\$ 397,900
Accrued Employee Benefits	146,640	138,000
Deferred Revenue	23,149	27,343
Net Unrealized Loss on Securities Available-for-Sale	1,147,478	1,380,057
Limitation on Low Income Housing Tax Credit	214,004	67,000
Total Deferred Tax Assets	<u>1,976,453</u>	<u>2,010,300</u>
Deferred Tax Liabilities:		
Federal Home Loan Bank Stock Dividends	5,125	65,500
Depreciation	250,130	126,700
Mortgage Servicing Rights	125,550	152,100
Total Deferred Tax Liabilities	<u>380,805</u>	<u>344,300</u>
 Deferred Tax Asset, Net	 <u>\$ 1,595,648</u>	 <u>\$ 1,666,000</u>

The federal income tax returns of the Corporation that remains open and subject to examination at December 31, 2024 are years 2021 – 2024. Management does not believe the Corporation has any significant uncertain tax positions at December 31, 2024 and 2023.

Management believes it is more likely than not that the benefit of deferred tax assets will be realized. Therefore, no valuation allowance for deferred tax assets is deemed necessary as of December 31, 2024 and 2023.

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NOTE 10 EMPLOYEE BENEFIT PLANS

The Corporation sponsors a defined contribution 401(k) plan for the benefit of eligible employees. Substantially all employees participate in the plan. Employer contributions are discretionary as determined by the board of directors and may be basic, optional, and/or matching in nature. Basic and optional contributions are allocated to participants based on the relative compensation of each participant. Matching contributions are determined as a percentage of participating employee contributions. Participants are vested in employer basic and matching contributions based on years of service. Employer matching contributions amounted to \$106,156 and \$105,259 during 2024 in 2023, respectively. There were no basic or optional employer contributions made during 2024 or 2023.

Under an employee stock purchase plan, eligible employees may defer a portion of their compensation and use the proceeds to purchase stock of the Corporation at a 10% discount determined by the board of directors as stipulated in the plan. The Corporation sold 750 treasury shares during 2024 and 1,822 shares during 2023 under the plan.

The Bank has entered into various agreements with certain directors to provide supplemental retirement benefits under deferred board of director fees, as specified by the individuals. The agreements provide for monthly retirement benefits based on the value of the individual's deferred compensation account. As of December 31, 2024 and 2023, the Bank's liability for such deferred compensation payments amounted to \$300,155 and \$341,069, respectively. The Bank has also entered into agreements with certain officers and directors to provide supplemental retirement benefits. The Bank has provided a liability for estimated accumulated supplemental retirement benefits of \$368,865 at December 31, 2024 and \$341,069 at December 31, 2023.

The Bank has purchased life insurance policies on such individuals, as well as certain previously terminated participants, to assist in funding future deferred compensation obligations. The aggregate cash surrender value of life insurance policies are recorded as bank owned life insurance on the balance sheet.

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NOTE 11 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk, in excess of the amount recognized in the consolidated balance sheet. The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

	Contract Amount	
	2024	2023
Commitments to Extend Credit, Including Unfunded		
Commitments Under Lines of Credit	\$ 35,467,000	\$ 31,526,000
Commercial and Standby Letters of Credit	521,000	383,000

Commitments to extend credit are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Bank is committed.

Commercial and standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers. The Bank generally holds collateral supporting those commitments if deemed necessary. The amount and nature of the collateral obtained are based on the Bank's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant, and equipment, and real estate.

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NOTE 12 REGULATORY MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts (in millions) and ratios are presented below at year-end.

	Actual		Minimum Capital Requirement		Minimum to be "Well Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Thousands of Dollars)						
<u>As of December 31, 2024</u>						
Total Capital (to Risk-Weighted Assets)	\$ 23,871	12.29%	\$ 15,538	≥ 8.0%	\$ 19,423	≥ 10.0%
Common Equity Tier I Capital (to Risk-Weighted Assets)	\$ 21,443	11.04%	\$ 8,740	≥ 4.5%	\$ 12,625	≥ 6.5%
Tier I Capital (to Risk-Weighted Assets)	\$ 21,443	11.04%	\$ 11,654	≥ 6.0%	\$ 15,538	≥ 8.0%
Tier I Capital (to Average Assets)	\$ 21,443	7.63%	\$ 11,237	≥ 4.0%	\$ 9,711	≥ 5.0%
<u>As of December 31, 2023</u>						
Total Capital (to Risk-Weighted Assets)	\$ 23,240	12.08%	\$ 15,391	≥ 8.0%	\$ 19,239	≥ 10.0%
Common Equity Tier I Capital (to Risk-Weighted Assets)	\$ 21,054	10.94%	\$ 8,657	≥ 4.5%	\$ 12,505	≥ 6.5%
Tier I Capital (to Risk-Weighted Assets)	\$ 21,054	10.94%	\$ 11,543	≥ 6.0%	\$ 15,391	≥ 8.0%
Tier I Capital (to Average Assets)	\$ 21,054	8.03%	\$ 10,491	≥ 4.0%	\$ 13,114	≥ 5.0%

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NOTE 12 REGULATORY MATTERS (CONTINUED)

On a parent company only basis, the Corporation's primary source of funds is dividends paid by the Bank. The ability of the Bank to pay dividends is subject to limitations under various laws and regulations, and to prudent and sound banking principles.

NOTE 13 FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Bank used the following methods and significant assumptions to estimate fair value:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Impaired Loans: Assets recorded at fair value on a non-recurring basis include collateral-dependent impaired loans. Impaired loans that are measured based on an observable market input or an appraisal are considered level 2 fair value assets. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. All other impaired loans are measured using level 3 inputs. A variety of level 3 inputs may be used by management in this process depending on the specific borrower circumstances and credit structures. Generally, an estimate of underlying property value is used for collateral dependent loans, which is determined from a number of sources. These sources include, and may be a combination of, property tax assessment values, computed values using estimated capitalization rates of cash flows, and third party publicly available sources. Management may apply discounts to such sources as deemed necessary. Non-real estate collateral may be valued using an appraisal or net book value of the asset and could be adjusted or discounted based on management's experience and knowledge of the underlying collateral.

The following tables summarize financial assets (there were no financial liabilities) measured at fair value at December 31, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

<u>December 31, 2024</u>	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Recurring - Securities				
Available-for-Sale:				
U.S. Treasury Bonds and Notes	\$ 8,579,257	\$ -	\$ -	\$ 8,579,257
U.S. Government and Federal Agency Obligations	-	24,718,626	-	24,718,626
Obligations of State and Political Subdivisions	-	11,901,594	-	11,901,594
Mortgage-Backed	-	12,305,062	-	12,305,062
Total Recurring	<u>\$ 8,579,257</u>	<u>\$ 48,925,282</u>	<u>\$ -</u>	<u>\$ 57,504,539</u>
Non-recurring - Impaired loans	<u>\$ -</u>	<u>\$ 507,519</u>	<u>\$ -</u>	<u>\$ 507,519</u>
<u>December 31, 2023</u>	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Recurring - Securities				
Available-for-Sale:				
U.S. Treasury Bonds and Notes	\$ 9,872,852	\$ -	\$ -	\$ 9,872,852
U.S. Government and Federal Agency Obligations	-	25,122,318	-	25,122,318
Obligations of State and Political Subdivisions	-	12,558,751	-	12,558,751
Mortgage-Backed	-	14,230,993	-	14,230,993
Total Recurring	<u>\$ 9,872,852</u>	<u>\$ 51,912,062</u>	<u>\$ -</u>	<u>\$ 61,784,914</u>
Non-recurring - Impaired loans	<u>\$ -</u>	<u>\$ 434,611</u>	<u>\$ -</u>	<u>\$ 434,611</u>

There were no financial instruments measured at fair value that were transferred to a different level in the fair value hierarchy during 2024 and 2023 due to the lack of observable quotes in inactive markets for those instruments at December 31, 2024 and 2023.

Directors of Pandora Bancshares, Inc.

Jared Lehman, Chair; President & CEO Lima Family YMCA
John B. Arnold, Vice Chair; Local Business Owner
Todd A. Mason, Chief Executive Officer
Randal J. Verhoff, CPA, Verhoff & Company, LLC
Scott L. Basinger, Esq.
Ronda K. Lehman, President, Mercy Health – Lima
Brendon Matthews, President

Executive Officers of Pandora Bancshares, Inc.

Todd A. Mason, Chief Executive Officer
Derrick Lee, Treasurer

Executive Officers of First National Bank of Pandora

Todd A. Mason, Chief Executive Officer
Brendon Matthews, President
Derrick Lee, Chief Financial Officer
Jennifer Vastano, Chief Operating Officer
Lisa Wheeler, HR Director

Annual Meeting

April 26, 2025 – 10:00 a.m.
Pandora branch basement
with zoom virtual option

Investor Information:

Anyone seeking financial information contact:
Brendon Matthews, President

Pandora Bancshares, Inc.
102 E. Main St.
Pandora, Ohio 45877

Bank Locations:

102 E. Main St.
Pandora, OH 45877
419-384-3221

112 Cherry St.
Bluffton, OH 45817
419-358-5500

1630 Tiffin Ave.
Findlay, OH 45840
419-429-6000

1114 Trenton Ave,
Findlay, OH 45840
419-425-2500

855 N. Locust St.
Ottawa, OH 45875
419-523-5500

2580 Eastown Road
Lima, OH 45807
419-222-0015

1991 Bellefontaine Rd.
Lima, OH 45804
419-222-2200

**Officers and Employees
As of December 31, 2024**

Todd A. Mason
Brendon Matthews
Derrick Lee
Jennifer Vastano
Doug Shaneyfelt
Michelle Brandt
Amy Groves
Heather Taviano
Lisa Wheeler
Christina Hegemier
Ben Moser
Andrew Rager
Vanessa Greer
Courtney Geus

Chief Executive Officer
President
Chief Financial Officer
Chief Operating Officer
Vice President/IT
Vice President/BSA/CRA/Compliance/Security Officer
Vice President/Senior Credit Officer
Vice President/Executive Assistant
Vice President/HR/Training
Vice President/Operations
Vice President/Senior Commercial Lender
Vice President/Mortgage Manager
Assistant Vice President/Consumer Loan Officer
Assistant Vice President/Underwriting Manager

Estefania Aurand
Wesley Brauen
Madison Breakey
Alison Brumbaugh
Sally Burris
Brent Dawson
Christy Diller
Kacy Duling
Brittany Font
Brandie Galvis
Quintessia Gibson
Emily Haag
Roseann Hoffman
Melissa Johnston
Christina Keller
Sarah Klausung
Trevor Kline
Dawn Korn
Kendra Kuhlman
Kylee Lehman
Carly Lehmann
Evan Lyle
Tracie Marshall
Angel Martin
Joseph Mayberry
Heather McDonald
Tanya Miller
Sydney Morgan
Angela Morman
Kristen Mullins
Kurt Mullins
Audra Oglesbee
Levi Ostrowski
Aliyah Pardo
Abigail Rakay
Elizabeth Reynolds
Kristie Rodriguez
Cora Scarberry

Amber Shough
Zachary Simon
Martrice Smith
Katherine Stouinger
Natalee Theis
Addison Traylor
Adrienne Warren
Melissa Warren
Stacy Weihrauch

**Directors of the First National Bank of Pandora
and Pandora Bancshares, Inc.**

P. D. Bixel, MD 1919, 1934 – 1937	John H. Styer 1955 – 1969	Harold Van Scoder 1990 – 1996
Carl Grismore 1919	Randall C. Ething 1956 – 1973	Douglas Edinger 1994 – 2006
J. A. Huffman 1919 – 1924	Lowell E. Hatfield* 1956 – 1961, 1964 – 1986	Paul Freeman* 1992 – 2002
Noah Schumacher 1919 – 1933	Francis Kempf 1957 – 1963	David Rodabaugh 1994 – 2016
C. Henry Smith* 1919 – 1948	Milo B. Rice, MD* 1962-1973	James Stechschulte 1995 – 2003
P.C. Steiner 1919 – 1933	Edward E. Schutz 1962	Charles Niswander 1997 – 2016
M. I. Trostle* 1919 – 1957	Warren Bridenbaugh* 1963 – 1979	Donald Dreisbach 2003 – 2015
Louis Basinger 1920 – 1922	Daniel W. Cook 1969 – 1984	G.W. Holden* 2003 – 2004
Otto McDowell 1920 – 1922	Grover Geiger, Jr.* 1970 – 1986, 1988 – 1993	Martin Terry 2003 – 2015
Elmer Campbell 1923 – 1924	William Cupp 1974 – 1976	James A. Downhower* 2004 – 2005
J.A. Schutz 1923 – 1937	Robert R. Reese 1974 – 1986	F. Alan Blackburn* 2005 – 2007
P.A. Suter 1923 – 1933	Russell Suter 1974 – 1984	J. Peter Suter 2006 – 2024
C.C. Wehly * 1923 – 1956	Daryl E. Amstutz 1977 – 1993	John B. Arnold 2007 – 2009, 2015 - Present
L. Shirl Hatfield* 1934 – 1954	Robert Rice 1980 – 1986	Todd A. Mason* 2007 – Present
Peter Hilty 1934 – 1952	Paul Bixel 1985 – 1986, 1988 – 1995	Jared Lehman 2011 – Present
Julian Kempf 1934 – 1952	Lois Rodabaugh 1985 – 1989	Randal J. Verhoff 2013 – Present
Wilmer D. Niswander* 1938 – 1955, 1958 – 1961	Burnette Powell 1986 – 1987	Scott L. Basinger 2016 – Present
Clifford Pierman 1949 – 1955	Malcolm Basinger 1987 – 1999	Ronda K. Lehman 2022 - Present
Irwin Hilty 1953 – 1968	David Emans 1988 – 2008	Brendon Matthews 2023 - Present
Francis C. Marshall* 1953 – 1973	Mary S. Amstutz 1989 - 2001	

*Designates CEO

We welcome your additions and corrections so that we may properly recognize those who have served our community bank. Please contact Heather Taviano at 567-336-0237.

Our mission is to improve lives through community banking.



First National Bank

You. First. Always.

102 East Main Street
P.O. Box 329
Pandora, OH 45877

419-384-3221

www.e-fnb.com

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