

First Baneshares, Inc.

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www.fnblifetime.com

July 30, 2020

Dear Shareholder,

A second quarter dividend has been declared in the amount of twenty-eight cents (\$0.28) per share which is equal to the payment made the prior quarter end. You will recall that last quarter we slightly decreased the dividend in response to the uncertainties of the COVID-19 pandemic on the U.S. and global economy. The prospects of a weakening economy impacting credit quality and creating loan losses remain so we are preserving and building capital to assure we can manage through credit issues that may arise. With the strong financial performance through June, the board felt comfortable with a dividend of the same amount. Our second quarter and year to date results continue to be solid in spite of additional expenses to increase the funding of additional balances in allowance for loan loss that we anticipate will be needed from the impacts of the economic downturn from the pandemic.

The attached spreadsheet reflects the first half of the year results in comparison to the same time last year. Net income improved by more than \$295,000 or 26% in comparison to 2019. This is driven by an increase in net interest income of over \$255,000 or 5.4% along with non-interest income being 12% higher than last year. In addition, we were able to reduce non-interest expense by more than \$278,000 resulting in almost 8% reduction in overhead expense. As mentioned earlier, these bottom-line results were accomplished while increasing our loan loss reserve by an additional \$230,000 more than was expensed in the first 6 months of 2019.

You can see from the statistics that our balance sheet has seen significant growth during this period especially during the second quarter. Our staff was very active during this time in making and processing Payroll Protection Program loans. We helped over 230 businesses by providing over \$20MM in loans that allowed them to support over 2,800 employees that could have been subject to layoffs. We commend our staff that worked diligently to make this happen. These balances along with increasing deposits have generated the overall growth.

The per share data along with the financial ratios reflect a solid first half of the year. We expect this to continue through 2020 but do so with caution as the number of COVID cases rise and the country tries to manage the spread while also working to keep the economy and businesses alive as much as possible. The bank is positioned well from an earnings and liquidity standpoint and we plan to keep adding to the loan loss reserve to assure we have the necessary resources to support any losses that may come in the future.

These are unprecedented times and our staff has done quite well in balancing the needs of our clients with the operating restrictions handed down by local, state and federal authorities while also staying safe in the process.

We do want to express sorrow to any of you and your families that were impacted by the pandemic. Our hope is that we can all work together to get through this and resume somewhat of a normal way of life. On behalf of our directors, officers, and staff we thank you for your support and welcome any feedback you may have.

Sincerely,



John A. Coppeler
Chairman



Dean J. Miller
President and CEO