

Dear Shareholders,

I am writing to you on behalf of our Board of Directors and Executive Management team to provide you with a report on the financial condition and results of operations for the first six months of 2021. As we reach the midpoint of this challenging year, our Bank remains strong and profitable with many benchmarks above peer banks. We continue to operate in a very low interest rate environment with many uncertainties. I am very proud of how The Farmers Bank of Appomattox continues our quest to meet the ever-changing needs of our customers during a global pandemic and be a shining example of what it means to be a valued community partner.

The 2021 second quarter was the Bank's most profitable in several years. Six-month net income of \$1.56 million exceeded 2020 six-month net income of \$1.17 million by 33.7%. The improved profitability was primarily the result of increased earnings from SBA PPP loan fees, which totaled \$388 thousand for the six-month period and \$206 thousand for the second quarter. In addition, the Bank's interest expense declined \$116 thousand year over year, in spite of 2021 deposit growth totaling \$21.5 million. \$18.9 million of the year-to-date deposit growth has been in low-cost deposits which led to the interest expense decline. The Bank's earnings per share improved \$0.36 to \$1.44 at 6/30/21 compared to 6/30/20.

As of 6/30/21 compared to year end 2020, the Bank's average total assets have grown \$29.4 million, and as a result of the strong second quarter earnings, the return on average assets improved 6 bps to 1.10%. The asset growth was primarily in investments and loans, which had net growth of \$24.9 million and \$9.5 million, respectively. Management continues to look for opportunities to profitably utilize the Bank's excess deposit funds through loan participations and purchases and additional investment in securities and bank-owned life insurance. The Bank's capital ratios have remained strong as evidenced by the total capital ratio of 20.08%.

I remain thankful for you, our valued shareholders and customers that allow us to continue on this path of community banking. There has never been a better time to bank with a true community bank. We are attentive, responsive and dedicated to our customers and small businesses. We continually keep our eye to the future while being grounded in the core values that have brought us thus far. Please take time to recommend us to your associates and friends. As always, we appreciate your loyalty and support.

Sincerely,



John R. Caldwell
President & CEO

DOUGLAS M. WEBB
Chairman of the Board

JOHN R. CALDWELL
President and Chief Executive Officer

DAWN S. TOLLEY
Executive Vice President

BRUCE S. DRINKARD
Senior Vice President

THOMAS L. RASEY, JR.
Senior Vice President

Directors

JOHN R. CALDWELL
CHRISTOPHER J. DILLON
ALISON F. GOBBLE
LAURIE S. HARRIS
BENJAMIN H. JOHNSON
ALFRED L. JONES, III
R. KINCKLE ROBINSON
LUTHER C. THOMAS
DOUGLAS M. WEBB

QUARTERLY FINANCIAL STATEMENT

June 30, 2021

FB The
FARMERS BANK
of
APPOMATTOX
MEMBER FDIC

www.thefarmersbankva.com

THE FARMERS BANK OF APPOMATTOX

Consolidated Balance Sheets

(In thousands of dollars, except share and per share data)

Assets	(Unaudited) June 30, 2021	(Audited) December 31, 2020
Cash and cash equivalents		
Cash and due from banks	\$ 6,189	\$ 6,520
Federal funds sold	3,624	7,193
Total cash and cash equivalents	<u>9,813</u>	<u>13,713</u>
Securities		
Available-for-sale, at fair value	82,843	69,919
Held to maturity, at amortized cost	10,644	11,701
Loans, net	175,927	164,571
Bank premises and equipment, net	2,718	2,753
Accrued interest receivable	1,233	1,165
Investment in bank-owned life insurance	9,415	6,536
Other real estate owned	136	148
Prepaid pension expense	1,542	1,662
Other assets	2,244	2,196
Total assets	<u>\$296,515</u>	<u>\$274,364</u>
Liabilities and Stockholders' Equity		
Deposits		
Demand - noninterest bearing	\$ 62,274	\$ 55,325
Demand - interest bearing	64,452	58,926
Savings Time:	65,363	58,982
Certificates of deposits of over \$250	9,101	8,350
Other	53,937	52,038
Total deposits	255,127	233,621
Securities sold under repurchase agreements	3,558	2,930
Accrued interest payable	87	89
Deferred income taxes	461	608
Other liabilities	686	891
Total liabilities	<u>259,919</u>	<u>238,139</u>
Stockholders' equity		
Common stock, \$2 par value. Authorized, 1,600,000 shares; issued and outstanding, 1,083,660 shares	2,167	2,167
Surplus	1,000	1,000
Retained earnings	34,090	33,105
Accumulated other comprehensive net gain (loss)	(661)	(47)
Total stockholders' equity	<u>36,596</u>	<u>36,225</u>
Total liabilities and stockholders' equity	<u>\$296,515</u>	<u>\$274,364</u>

THE FARMERS BANK OF APPOMATTOX

Consolidated Statements Of Income (Unaudited)

(In thousands of dollars, except per share data and stock prices)

	Three Months Ended 6/30/2021	Six Months Ended 6/30/2020
Interest Income		
Interest and fees on loans	\$2,237	\$1,952
Interest on securities		
U. S. Government-sponsored agencies	31	40
Obligations of states and political subdivisions - nontaxable	282	177
Obligations of states and political subdivisions - taxable	89	54
Corporate obligations	44	71
Mortgage-backed securities	14	22
Interest on federal funds sold	2	2
Total interest income	<u>2,699</u>	<u>2,318</u>
Interest Expense		
Interest on deposits	166	208
Interest on CDs of over \$250	39	40
Interest on securities sold under repurchase agreements	2	2
Total interest expense	<u>207</u>	<u>250</u>
Net interest income	<u>2,492</u>	<u>2,068</u>
Provision for loan losses	4	33
Net interest income after provision for loan losses	<u>2,488</u>	<u>2,035</u>
Noninterest Income		
Service charges on deposit accounts	130	115
Gains on sale or call of securities	—	—
Other	135	108
Total noninterest income	<u>265</u>	<u>223</u>
Noninterest Expense		
Salaries and employee benefits	931	881
Expenses of premises and equipment	175	158
Other operating expenses	640	597
Total noninterest expense	<u>1,746</u>	<u>1,636</u>
Income before income tax expense	<u>1,007</u>	<u>622</u>
Income tax expense	147	99
Net income	<u>\$ 860</u>	<u>\$ 523</u>
Per share data:		
Earnings per share	\$ 0.79	\$ 0.48
	<u>High</u>	<u>Low</u>
Stock prices second quarter 2021	\$27.50	\$25.75