

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 nine-month period ended September 30, 2021. As we approach the end of this challenging year, our Bank remains strong and profitable with many benchmarks above peer banks. We continue to operate in an environment of shrinking net interest margins and other uncertainties. Our experienced lending team has worked diligently with small businesses to offer support during the pandemic and assist with efforts to have SBA PPP loans forgiven. We are dedicated to our customers and continually provide new avenues to meet their ever-changing needs.

The Bank followed the 2021 second quarter excellent results with an even more profitable third quarter. Nine-month net income of \$2.48 million exceeded 2020 nine-month net income of \$1.92 million by 29.1%. The improved profitability was primarily the result of increased earnings from SBA PPP loan fees, which totaled \$640 thousand for the nine-month period and \$253 thousand for the third quarter. In addition, the Bank's interest expense declined \$146 thousand year over year, in spite of 2021 deposit growth totaling \$30.5 million. \$23.6 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 \$0.51 to \$2.29 at 9/30/21 compared to 9/30/20.

As of September 30, 2021 compared to year end 2020, the Bank's average total assets have grown \$35.0 million, and as a result of the strong second and third quarter earnings, the return on average assets improved 12 bps to 1.14%. The asset growth was primarily in investments and loans, which had net growth of \$19.2 million and \$14.0 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 19.83%.

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

September 30, 2021

FB The FARMERS BANK
MEMBER FDIC of APPOMATTOX

www.thefarmersbankva.com

THE FARMERS BANK OF APPOMATTOX
Consolidated Balance Sheets
(In thousands of dollars, except share and per share data)

Assets	(Unaudited) September 30, 2021	(Audited) December 31, 2020
Cash and cash equivalents		
Cash and due from banks	\$ 5,728	\$ 6,520
Federal funds sold	2,357	7,193
Total cash and cash equivalents	<u>8,085</u>	<u>13,713</u>
Securities		
Available-for-sale, at fair value	90,195	69,919
Held to maturity, at amortized cost	10,626	11,701
Loans, net	178,522	164,571
Bank premises and equipment, net	2,669	2,753
Accrued interest receivable	1,281	1,165
Investment in bank-owned life insurance	9,471	6,536
Other real estate owned	204	148
Prepaid pension expense	1,482	1,662
Other assets	2,128	2,196
Total assets	<u>\$304,663</u>	<u>\$274,364</u>
Liabilities and Stockholders' Equity		
Deposits		
Demand noninterest-bearing	\$ 62,834	\$ 55,325
Demand interest-bearing	67,802	58,926
Savings	66,193	58,982
Time		
Certificates of deposits of over \$250	12,077	8,350
Other	55,224	52,038
Total deposits	<u>264,130</u>	<u>233,621</u>
Securities sold under repurchase agreements	2,261	2,930
Accrued interest payable	89	89
Deferred income taxes	426	608
Other liabilities	833	891
Total liabilities	<u>267,739</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	34,472	33,105
Accumulated other comprehensive net gain (loss)	(715)	(47)
Total stockholders' equity	<u>36,924</u>	<u>36,225</u>
Total liabilities and stockholders' equity	<u>\$304,663</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		Nine Months Ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Interest Income				
Interest and fees on loans	\$ 2,317	\$ 2,041	\$ 6,690	\$ 6,023
Interest on securities				
U.S. Government-sponsored agencies	30	31	89	146
Obligations of states and political subdivisions nontaxable	289	210	827	540
Obligations of states and political subdivisions taxable	95	81	268	177
Corporate obligations	35	52	123	185
Mortgage-backed securities	11	18	36	67
Interest on federal funds sold	2	1	5	22
Total interest income	<u>2,779</u>	<u>2,434</u>	<u>8,038</u>	<u>7,160</u>
Interest Expense				
Interest on deposits	166	192	496	636
Interest on CDs of over \$250	37	40	113	120
Interest on securities sold under repurchase agreements	2	2	6	6
Total interest expense	<u>205</u>	<u>234</u>	<u>615</u>	<u>762</u>
Net interest income	<u>2,574</u>	<u>2,200</u>	<u>7,423</u>	<u>6,398</u>
Provision for loan losses	12	29	17	90
Net interest income after provision for loan losses	<u>2,562</u>	<u>2,171</u>	<u>7,406</u>	<u>6,308</u>
Noninterest Income				
Service charges on deposit accounts	131	125	373	372
Gains on sale of call securities	—	77	1	174
Other	142	105	374	292
Total noninterest income	<u>273</u>	<u>307</u>	<u>748</u>	<u>838</u>
Noninterest Expense				
Salaries and employee benefits	949	850	2,844	2,626
Expenses of premises and equipment	163	152	494	459
Other operating expenses	646	580	1,922	1,767
Total noninterest expense	<u>1,758</u>	<u>1,582</u>	<u>5,260</u>	<u>4,852</u>
Income before income tax expense	<u>1,077</u>	<u>896</u>	<u>2,894</u>	<u>2,294</u>
Income tax expense	153	138	410	370
Net income	<u>\$ 924</u>	<u>\$ 758</u>	<u>\$ 2,484</u>	<u>\$ 1,924</u>
Per share data:				
Earnings per share	<u>\$0.85</u>	<u>\$0.70</u>	<u>\$2.29</u>	<u>\$1.78</u>
	High	Low		
Stock prices third quarter 2021	<u>\$50.00</u>	<u>\$26.85</u>		