

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 condition and results of operations for the nine-month period ended 9/30/2022. As we approach the end of this ever-challenging year of uncertainty, our Bank remains strong and profitable. We have encountered economic challenges from a sharp rise in inflation coupled with unprecedented increases in the federal funds interest rates and shrinking net interest margins. We have been effective in growing our loans while working to protect our deposit base in this market. Throughout this uncertainty, we strive to find ways to show our dedication to you our shareholders, our employees, customers and the communities we serve.

Year-over-year nine-month net income of \$2.42 million reflected a \$62 thousand decrease from 2021 net income of \$2.48 million. Our year-to-date income represents a Return on Average Assets of 1.04% and earnings per share of \$2.23, both relatively strong compared to peers. Year to date interest and fees on loans exceeded \$6.8 million, a year over year increase of \$181 thousand resulting from \$28.5 million growth in loans. The composite loan yield was 4.58%. The Bank was able to maintain deposit levels at \$275.4 million, a slight decrease from year-end 2021 total deposits of \$277.7 million. Net interest income increased \$202 thousand with a tax equivalent net interest margin of 3.37%.

Noninterest income increased by \$89 thousand (11.9%) led primarily by a \$32 thousand increase in deposit fees and an increase in income associated with Bank Owned Life Insurance. Noninterest expense increased \$245 thousand attributed primarily to increases in salaries and benefits costs, marketing and data processing expenses. Total assets of \$312 million declined \$7.2 million compared to year end 2021 due to a \$10 million corporate deposit that was received at year end and transferred out shortly after the first of the year. Investment balances decreased by \$34.8 million with bond maturities and sales used for funding needs. Investment income has increased year-over-year by \$37 thousand even with the decrease in investment balances. The Bank's Investment Portfolio remains in an unrealized loss position due to recent sharp increases in interest rates from the Federal Reserve Bank. The bonds are in an unrealized loss position given the marketability of lower interest fixed rate bonds compared to current rates. This loss is an unrealized loss and would only become realized if management decided to sell the bonds in this current market. Management continues to utilize other funding sources to meet funding needs. The Bank's capital ratios remain strong and the Bank remains diligent in strategically addressing rising costs of operations.

As always, I remain thankful for you, our valued shareholders and customers that allow us to continue on this path of community banking. We add value to the communities we serve and do so with a personal touch. We are attentive, responsive and dedicated to our customers and small businesses. In addition, we value and provide employment to over 70 banking professionals with five offices operating in four communities. We continually keep our eye to the future while being grounded in the core values that have brought us this far. Please take time to recommend us to your associates and friends. 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, 2022


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)

<u>Assets</u>	<u>(Unaudited)</u> <u>September 30, 2022</u>	<u>(Audited)</u> <u>December 31, 2021</u>
Cash and cash equivalents		
Cash and due from banks	\$ 4,957	\$ 5,154
Federal funds sold	1,254	4,750
Total cash and cash equivalents	<u>6,211</u>	<u>9,904</u>
Securities		
Available-for-sale, at fair value	70,953	95,176
Held to maturity, at amortized cost	—	10,607
Loans, net	213,725	185,288
Bank premises and equipment, net	2,498	2,651
Accrued interest receivable	1,277	1,326
Investment in bank-owned life insurance	9,696	9,527
Prepaid pension expense	1,955	2,055
Deferred income tax	3,001	—
Other real estate owned	118	186
Other assets	2,323	2,218
Total assets	<u>\$311,757</u>	<u>\$318,938</u>
<u>Liabilities and Stockholders' Equity</u>		
Deposits		
Demand - noninterest bearing	\$ 61,539	\$ 72,410
Demand - interest bearing	71,477	66,945
Savings	76,567	70,789
Time:		
Certificates of deposits of over \$250	12,667	12,875
Other	53,180	54,724
Total deposits	<u>275,430</u>	<u>277,743</u>
Repurchase agreements and other borrowings	9,235	2,005
Accrued interest payable	88	87
Deferred income taxes	—	452
Other liabilities	861	869
Total liabilities	<u>285,614</u>	<u>281,156</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	36,474	35,299
Accumulated other comprehensive net gain (loss)	(13,498)	(684)
Total stockholders' equity	<u>26,143</u>	<u>37,782</u>
Total liabilities and stockholders' equity	<u>\$311,757</u>	<u>\$318,938</u>

THE FARMERS BANK OF APPOMATTOX
Consolidated Statements Of Income (Unaudited)
(In thousands of dollars, except per share data and stock prices)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2022</u>	<u>9/30/2021</u>
Interest Income				
Interest and fees on loans	\$2,439	\$2,317	\$6,870	\$6,690
Interest on securities				
U. S. Government-sponsored agencies	17	30	65	89
Obligations of states and political subdivisions - nontaxable	251	289	827	827
Obligations of states and political subdivisions - taxable	87	95	268	268
Corporate obligations	53	35	138	123
Mortgage-backed securities	29	11	83	36
Interest on federal funds sold	22	2	24	5
Total interest income	<u>2,898</u>	<u>2,779</u>	<u>8,275</u>	<u>8,038</u>
Interest Expense				
Interest on deposits	156	166	460	496
Interest on CDs of over \$250	44	37	125	113
Interest on repurchase agreements and other borrowings	46	2	65	6
Total interest expense	<u>246</u>	<u>205</u>	<u>650</u>	<u>615</u>
Net interest income	2,652	2,574	7,625	7,423
Provision for loan losses	43	12	172	17
Net interest income after provision for loan losses	<u>2,609</u>	<u>2,562</u>	<u>7,453</u>	<u>7,406</u>
Noninterest Income				
Service charges on deposit accounts	144	131	404	373
Gains on sale or call of securities	17	—	27	1
Other	142	142	405	374
Total noninterest income	<u>303</u>	<u>273</u>	<u>836</u>	<u>748</u>
Noninterest Expense				
Salaries and employee benefits	985	949	2,933	2,844
Expenses of premises and equipment	159	163	497	494
Other operating expenses	725	646	2,075	1,922
Total noninterest expense	<u>1,869</u>	<u>1,758</u>	<u>5,505</u>	<u>5,260</u>
Income before income tax expense	<u>1,043</u>	<u>1,077</u>	<u>2,784</u>	<u>2,894</u>
Income tax expense	143	153	363	410
Net income	<u>\$ 900</u>	<u>\$ 924</u>	<u>\$2,421</u>	<u>\$2,484</u>
Per share data:				
Earnings per share	<u>\$ 0.83</u>	<u>\$ 0.85</u>	<u>\$ 2.23</u>	<u>\$ 2.29</u>
	High	Low		
Stock prices third quarter 2022	\$29.50	\$27.26		