

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 operation for the first six months of 2024. As we reach the midpoint of this year, our Bank remains strong and profitable with benchmarks comparable to our peer banks. The economic environment of 2024 continues to be one marked by uncertainty, especially in the area of interest rates. Given this environment, I am proud of how The Farmers Bank of Appomattox continues to remain rooted in our values while striving to meet the needs of our customers and provide a good return for our shareholders.

Throughout the first half of 2024, the Bank remained profitable and well capitalized, although earnings decreased as compared to the same period in 2023. Six-month net income of \$1.27 million was below 2023 six-month net income of \$1.49 million. Year-to-date loan interest and fee income increased by \$735 thousand (13.23%) notwithstanding the fact that loan balances decreased by \$5.3 million during the same period. Yields on loans increased to 5.82%, an increase of 62 basis points. Management continues to monitor loan pipeline reports and is encouraged by loan growth opportunities for 3rd and 4th quarters. Provision for Credit Loss increased \$109 thousand year-over-year based on increased net charged-off loans for 2024. Investment income increased by \$636 thousand with a composite yield of 3.10%. Increases in loan and investment income was offset partially by an increase in year-to-date interest expense, given the higher interest rate environment. The Bank's composite deposit costs of 1.66% represented a 71 basis point increase over mid-year 2023. Deposit interest expense increased for the first six months of 2024 to \$2.55 million, an increase of \$1.2 million.

Non-interest income decreased by \$68 thousand, primarily due to fees associated with certificate of deposit early withdrawal penalties that were received in 2023 and not in 2024. Other non-interest income figures remained relatively constant. One of the primary drivers for the reduced income and a primary component of an increase to non-interest expense is an increase of \$209 thousand in benefit expense due to settlement accounting for the Bank's pension account that was soft frozen effective January 1, 2012.

The Bank's Return on Average Assets was 0.74% and compared favorably with peer Virginia banks' ROAA of 0.69%. Earnings per share were \$1.17. As of June 30, 2024, the Bank's total assets of \$343.5 million was relatively consistent with year-end 2023 assets of \$345.3 million. The Bank continues to remain in an unrealized loss position in our investment portfolio, which as of June 30, 2024 was \$11.3 million. This is attributed to the Bank's investment securities being purchased at lower interest rates than the current market rates.

The Bank moves forward embracing our role as valued community partner. As part of this initiative, efforts to expand into the Lynchburg market are underway. Our Timberlake Branch location is under construction with an anticipated opening date in the first quarter of 2025. We are excited about this opportunity to provide true community banking to this market. We hope to share more information in future correspondence.

I remain thankful for you, our valued shareholders and customers that allow us to continue on this path of community banking. We have an experienced and dedicated team of bank professionals ready to meet the challenges ahead. As a reminder, 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. Please let us know how we can serve you better. 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  
CHRISTOPHER N. SIMPSON  
DOUGLAS M. WEBB

# QUARTERLY FINANCIAL STATEMENT

June 30, 2024

The  
**FB** FARMERS BANK  
MEMBER FDIC of  
A P P O M A T T O X

[www.thefarmersbankva.com](http://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) June 30, 2024</u>	<u>(Audited) December 31, 2023</u>
Cash and cash equivalents		
Cash and due from banks	\$ 5,774	\$ 4,979
Federal funds sold	7,984	4,800
Total cash and cash equivalents	<u>13,758</u>	<u>9,779</u>
Securities		
Available-for-sale, at fair value	92,901	93,845
Loans, net	215,393	220,695
Bank premises and equipment, net	3,586	3,348
Accrued interest receivable	1,672	1,615
Investment in bank-owned life insurance	10,137	10,001
Prepaid pension expense	869	1,169
Deferred income tax	2,343	2,028
Other real estate owned	—	148
Other assets	<u>2,854</u>	<u>2,482</u>
<b>Total assets</b>	<b><u>\$343,513</u></b>	<b><u>\$345,110</u></b>
<b><u>Liabilities and Stockholders' Equity</u></b>		
Deposits		
Demand - noninterest bearing	\$ 59,381	\$ 57,928
Demand - interest bearing	61,464	67,322
Savings	59,641	63,368
Time:		
Certificates of deposits of over \$250	32,973	30,720
Other	<u>94,087</u>	<u>89,355</u>
Total deposits	307,546	308,693
Securities sold under repurchase agreements and other borrowings	1,943	2,292
Accrued interest payable	656	615
Other liabilities	<u>973</u>	<u>876</u>
<b>Total liabilities</b>	<b><u>311,118</u></b>	<b><u>312,476</u></b>
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	39,468	38,796
Net accumulated other comprehensive gain	<u>(10,240)</u>	<u>(9,329)</u>
<b>Total stockholders' equity</b>	<b><u>32,395</u></b>	<b><u>32,634</u></b>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$343,513</u></b>	<b><u>\$345,110</u></b>

**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>Six Months Ended</u>	
	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2023</u>
<b>Interest Income</b>				
Interest and fees on loans	\$3,140	\$2,880	\$6,293	\$5,558
Interest on securities				
U.S. Treasury bills	1	—	9	—
U.S. Government-sponsored agencies	17	17	34	34
Obligations of states and political subdivisions - nontaxable	212	238	424	478
Obligations of states and political subdivisions - taxable	86	87	173	173
Corporate obligations	70	57	139	113
Mortgage-backed Securities	265	27	517	55
SBA Pool Securities	93	—	195	—
Interest on federal funds sold	160	138	216	179
Other interest income	<u>17</u>	<u>—</u>	<u>26</u>	<u>—</u>
<b>Total interest income</b>	<b><u>4,061</u></b>	<b><u>3,444</u></b>	<b><u>8,026</u></b>	<b><u>6,590</u></b>
<b>Interest Expense</b>				
Interest on deposits	947	477	1,846	822
Interest on time certificates of \$250 and over	364	318	701	485
Interest on repurchase agreements and other borrowings	<u>2</u>	<u>2</u>	<u>8</u>	<u>57</u>
<b>Total interest expense</b>	<b><u>1,313</u></b>	<b><u>797</u></b>	<b><u>2,555</u></b>	<b><u>1,364</u></b>
<b>Net interest income</b>	<b>2,748</b>	<b>2,647</b>	<b>5,471</b>	<b>5,226</b>
Provision for loan losses	<u>130</u>	<u>25</u>	<u>281</u>	<u>172</u>
<b>Net interest income after provision for loan losses</b>	<b><u>2,618</u></b>	<b><u>2,622</u></b>	<b><u>5,190</u></b>	<b><u>5,054</u></b>
<b>Noninterest Income</b>				
Service charges on deposit accounts	128	135	248	262
Gain on sales and calls of securities	—	1	—	1
Other	<u>176</u>	<u>186</u>	<u>322</u>	<u>375</u>
<b>Total noninterest income</b>	<b><u>304</u></b>	<b><u>321</u></b>	<b><u>570</u></b>	<b><u>638</u></b>
<b>Noninterest Expense</b>				
Salaries and employee benefits	1,204	1,074	2,406	2,132
Expenses of premises and equipment	195	171	367	333
Data processing	288	260	559	523
Other operating expenses	<u>498</u>	<u>533</u>	<u>981</u>	<u>992</u>
<b>Total noninterest expense</b>	<b><u>2,185</u></b>	<b><u>2,038</u></b>	<b><u>4,313</u></b>	<b><u>3,980</u></b>
<b>Income before income tax expense</b>	<b><u>737</u></b>	<b><u>905</u></b>	<b><u>1,447</u></b>	<b><u>1,712</u></b>
Income tax expense	<u>93</u>	<u>118</u>	<u>179</u>	<u>217</u>
<b>Net income</b>	<b><u>\$ 644</u></b>	<b><u>\$ 787</u></b>	<b><u>\$1,268</u></b>	<b><u>\$1,495</u></b>
Per share data:				
Earnings per share	<u>\$ 0.59</u>	<u>\$ 0.73</u>	<u>\$ 1.17</u>	<u>\$ 1.38</u>
	<u>High</u>	<u>Low</u>		
Stock prices first quarter 2024	\$22.47	\$26.80		