

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 quarter 2022. The banking environment continues to be one marked by uncertain economic conditions with the banking industry beginning to emerge from a global pandemic. The first quarter of 2022 has provided an economy marked by expectations of rising interest rates and the reality of inflation. Operating during an economy of this type continues to require us to be nimble and focused on the task of meeting ever changing customer needs and expectations.

During the first quarter of 2022, the Bank continued our previous trend of improved earnings and growth in key areas. Net Income of \$757 thousand represents an increase of \$57 thousand (8.16%) compared to 2021 first quarter earnings, which resulted in return on average assets of 0.99%. Interest and fees on loans increased by \$48 thousand despite the sharp decrease in Small Business Administration PPP Fee income compared to 2021. Much of the loan interest and fee income increase came as a result of year over year net loan growth in excess of \$18 million with a composite yield of 4.66%. Investment income increased by \$55 thousand while interest expense decreased by \$4 thousand. Net interest income for the first quarter of 2022 stood at \$2.46 million compared to \$2.36 million for the first quarter of 2021 and resulted in a tax-equivalent net interest margin of 3.32%.

The Bank experienced a reduction in total assets of \$11.7 million (-3.68%) as of March 31, 2022 compared to December 31, 2021. This is primarily the result of short-term assets used to offset a single, large commercial transitory deposit coming in at year-end and being transferred out in January 2022. This single deposit balance fluctuation aside, deposits have remained fairly constant at \$271 million. Capital ratios for the Bank continue to remain very strong, given our total capital ratio of 19.40% as of 12/31/2021, which is well above the average ratio for peer banks. This excess capital helps ensure that we have a firm foundation to meet the challenges the future may bring.

I remain extremely appreciative of our directors, officers and employees that continually endeavor to ensure that our customers' needs are met. We are not only a premier bank, but also a responsible employer and valued community partner. We value you our shareholders and the role you play in allowing our Bank to do what we do so well. Thank you for your support. It is great to be a part of this wonderful institution known as community banking.

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

March 31, 2022

FB MEMBER FDIC The FARMERS BANK of APPOMATTOX

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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>March 31, 2022</u>	<u>(Audited)</u> <u>December 31, 2021</u>
Cash and cash equivalents		
Cash and due from banks	\$ 6,164	\$ 5,154
Federal funds sold	2,175	4,750
Total cash and cash equivalents	<u>8,339</u>	<u>9,904</u>
Securities		
Available-for-sale, at fair value	79,602	95,175
Held to maturity, at amortized cost	9,689	10,607
Loans, net	190,768	185,289
Bank premises and equipment, net	2,573	2,651
Accrued interest receivable	1,279	1,326
Investment in bank-owned life insurance	9,583	9,527
Prepaid pension expense	2,025	2,055
Deferred income tax	1,026	—
Other real estate owned	118	186
Other assets	2,211	2,218
Total assets	<u>\$307,213</u>	<u>\$318,938</u>
<u>Liabilities and Stockholders' Equity</u>		
Deposits		
Demand - noninterest bearing	\$ 61,137	\$ 72,410
Demand - interest bearing	69,482	66,945
Savings	73,519	70,789
Time:		
Certificates of deposits of over \$250	14,271	12,875
Other	53,059	54,724
Total deposits	<u>271,468</u>	<u>277,743</u>
Securities sold under repurchase agreements	2,420	2,005
Accrued interest payable	81	87
Deferred income tax	—	452
Other liabilities	913	870
Total liabilities	<u>274,882</u>	<u>281,157</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	35,351	35,299
Net accumulated other comprehensive gain	(6,187)	(685)
Total stockholders' equity	<u>32,331</u>	<u>37,781</u>
Total liabilities and stockholders' equity	<u>\$307,213</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>3/31/2022</u>	<u>3/31/2021</u>
Interest Income		
Interest and fees on loans	\$2,182	\$2,134
Interest on securities		
U. S. Government-sponsored agencies	29	27
Obligations of states and political subdivisions - nontaxable	296	257
Obligations of states and political subdivisions - taxable	93	84
Corporate obligations	37	44
Mortgage-backed Securities	24	11
Interest on federal funds sold	1	2
Total interest income	<u>2,662</u>	<u>2,559</u>
Interest Expense		
Interest on deposits	155	164
Interest on time certificates of \$250 and over	43	37
Interest on securities sold under repurchase agreements	1	2
Total interest expense	<u>199</u>	<u>203</u>
Net interest income	2,463	2,356
Provision for loan losses	26	—
Net interest income after provision for loan losses	<u>2,437</u>	<u>2,356</u>
Noninterest Income		
Service charges on deposit accounts	125	111
Gains on sales and calls of securities	—	1
Other	118	97
Total noninterest income	<u>243</u>	<u>209</u>
Noninterest Expense		
Salaries and employee benefits	987	964
Expenses of premises and equipment	162	156
Other operating expenses	651	635
Total noninterest expense	<u>1,800</u>	<u>1,755</u>
Income before income tax expense	880	810
Income tax expense	123	110
Net income	<u>\$ 757</u>	<u>\$ 700</u>
Per share data:		
Earnings per share	<u>\$ 0.70</u>	<u>\$ 0.65</u>
	<u>Low</u>	<u>High</u>
Stock prices first quarter 2022	\$28.00	\$32.50