

Dear Shareholders,

I am pleased to present the results of our financial performance for the first six months of 2019. As we reached the mid-point of the year, our Bank remained strong and profitable with many benchmarks above peer banks. Our net income for the first six months of 2019 of \$1.28 million is a 6.77% increase over the 2018 mid-year earnings of \$1.20 million. Earnings per share rose to \$1.18 and the Bank's Return on Average Assets was 1.11%, which outperformed national peer group ROAA of 1.04%. Loan and deposit balances grew slightly through the second quarter of 2019, and total assets of \$232 million were up \$3 million (1.31%) from year-end figures.

Net interest income increased \$65 thousand during the first six months of 2019 resulting from a \$121 thousand net increase in interest income plus a \$56 thousand decline in interest expense. The improvement in interest income came as a result of the slightly larger loan balances along with an increase in the composite yield. The June 30, 2019 composite loan yield increased to 5.09% from 4.93% at June 30, 2018. Investment balances declined \$3.04 million to \$55 million, with the tax equivalent yield increasing slightly to 3.20%.

The Bank's deposits mix has shifted slightly with demand deposit and savings accounts balances declining by \$1.01 million during the first six months of 2019 and certificates of deposit balances increasing by \$1.46 million during the same period. The Bank is currently in an environment of strong competition with many Banks offering promotional rates to attract funds. Management will continue to monitor competitor rates and make deposit pricing adjustments as appropriate.

During the first six months of 2019, the Bank benefited from a \$156 thousand decline in the loan loss provision as a result of a \$155 thousand decrease in the Bank's past due loan reserve compared to year-end 2018. Comparison of net charged off loans also show a decrease of \$10.2 thousand year to date. Noninterest income of \$269 thousand is slightly below 2018. The decrease was driven by a decline in ATM/ Visa debit transaction income, which was reduced by increased risk-based fees.

Noninterest expense increased \$81.6 thousand during 2019 as salaries and benefits, premises expense and other non-interest expense all increased. Salaries and benefits increased as the Bank is carrying an additional officer level salary position in transition for an anticipated retirement at year-end 2019. Jane Kelly, Senior Vice President, Chief Operation Officer and Corporate Secretary has announced her retirement effective December 31, 2019. Thomas L. Rasey, Jr. has been selected to be Mrs. Kelly's replacement as is currently being trained to assume her duties. An additional increase to noninterest expense came as the Bank experienced a \$48 increase in Sundry Loss due to a card skimming fraud against the Bank in late spring. The Bank worked quickly to address the threat and reimburse any customers of any lost funds.

The banking environment is continually changing, with more emphasis on fighting fraud than ever before. Your management team is ready to face the challenges that may come our way. We value you, our shareholders, and appreciate your loyalty and support throughout the years. Remember, there has never been a better time to bank with Farmers Bank!

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

JANE H. KELLY  
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, 2019

 MEMBER FDIC The FARMERS BANK 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)

<b>Assets</b>	<b>(Unaudited) June 30, 2019</b>	<b>(Audited) December 31, 2018</b>
Cash and cash equivalents		
Cash and due from banks	\$ 5,463	\$ 4,794
Federal funds sold	4,012	477
Total cash and cash equivalents	<u>9,475</u>	<u>5,271</u>
Securities		
Available-for-sale, at fair value	33,508	36,496
Held to maturity, at amortized cost	21,475	21,525
Loans, net	155,222	153,678
Bank premises and equipment, net	2,545	2,494
Accrued interest receivable	1,084	1,054
Investment in bank-owned life insurance	6,311	6,234
Other real estate owned	276	148
Prepaid pension expense	1,145	1,180
Other assets	1,905	1,856
<b>Total assets</b>	<u><u>\$ 232,946</u></u>	<u><u>\$ 229,936</u></u>
<b>Liabilities and Stockholders' Equity</b>		
Deposits		
Demand - noninterest bearing	\$ 42,905	\$ 39,590
Demand - interest bearing	45,520	48,712
Savings	49,882	51,019
Time:		
Certificates of deposits of over \$250	7,557	7,784
Other	50,636	48,951
Total deposits	196,500	196,056
Securities sold under repurchase agreements	2,894	1,845
Accrued interest payable	109	87
Deferred income taxes	255	93
Other liabilities	459	528
<b>Total liabilities</b>	<u>200,217</u>	<u>198,609</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	30,576	29,726
Accumulated other comprehensive net gain (loss)	(1,014)	(1,566)
<b>Total stockholders' equity</b>	<u>32,729</u>	<u>31,327</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 232,946</u></u>	<u><u>\$ 229,936</u></u>

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2018</b>
<b>Interest Income</b>				
Interest and fees on loans	\$ 2,031	\$ 1,918	\$ 4,030	\$ 3,808
Interest on securities				
U. S. Government-sponsored agencies	69	83	149	160
Obligations of states and political subdivisions - nontaxable	179	201	364	404
Obligations of states and political subdivisions - taxable	49	76	98	175
Corporate obligations	80	80	166	150
Mortgage-backed securities	12	—	23	—
Interest on federal funds sold	31	34	36	48
<b>Total interest income</b>	<u>2,451</u>	<u>2,392</u>	<u>4,866</u>	<u>4,745</u>
<b>Interest Expense</b>				
Interest on deposits	215	185	415	363
Interest on CDs of over \$250	33	22	60	55
Interest on securities sold under repurchase agreements	2	2	3	4
<b>Total interest expense</b>	<u>250</u>	<u>209</u>	<u>478</u>	<u>422</u>
<b>Net interest income</b>	2,201	2,183	4,388	4,323
Provision for loan losses	34	150	65	221
<b>Net interest income after provision for loan losses</b>	<u>2,167</u>	<u>2,033</u>	<u>4,323</u>	<u>4,102</u>
<b>Noninterest Income</b>				
Service charges on deposit accounts	135	143	262	281
Gains on sale or call of securities	3	—	3	1
Other	131	136	231	225
<b>Total noninterest income</b>	<u>269</u>	<u>279</u>	<u>496</u>	<u>507</u>
<b>Noninterest Expense</b>				
Salaries and employee benefits	888	867	1,805	1,757
Expenses of premises and equipment	146	141	281	271
Other operating expenses	627	608	1,206	1,183
<b>Total noninterest expense</b>	<u>1,661</u>	<u>1,616</u>	<u>3,292</u>	<u>3,211</u>
<b>Income before income tax expense</b>	<u>775</u>	<u>696</u>	<u>1,527</u>	<u>1,398</u>
Income tax expense	119	97	243	196
<b>Net income</b>	<u><u>\$ 656</u></u>	<u><u>\$ 599</u></u>	<u><u>\$ 1,284</u></u>	<u><u>\$ 1,202</u></u>
Per share data:				
Earnings per share	<u>\$ 0.61</u>	<u>\$ 0.55</u>	<u>\$ 1.18</u>	<u>\$ 1.11</u>
	<b>High</b>	<b>Low</b>		
Stock prices second quarter 2019	\$ 29.00	\$ 26.75		