

Dear Shareholders,

On behalf of the Board of Directors and management team of The Farmers Bank of Appomattox, I am pleased to report on the financial condition and results of operations for the first quarter 2019. Following a challenging, yet profitable year in 2018, the Bank has continued our previous trend of improved earnings and moderate growth. Net Income of \$628 thousand represents an increase of \$23 thousand compared to 2018 first quarter earnings. This equates to a 3.84% increase and a strong Return on Average Assets of 1.09%. Earnings were driven by a \$45 thousand increase in net interest income coupled with a \$40 thousand decrease in the provision for loan losses. During the first three months of 2019 noninterest income remained consistent with 2018 first quarter, while noninterest expense increased \$37 thousand.

The Bank experienced total asset growth of \$4.4 million (1.90%) as of March 31, 2019 compared to December 31, 2018 resulting in quarter end total assets of \$234.3 million. Deposits grew \$2.5 million (1.27%) and loans grew \$1.9 million (1.26%) during the first quarter of 2019. This deposit growth came after an approximate \$9 million deposit decline during 2018. Management anticipates continued growth in both loans and deposits during the remainder of 2019. Capital ratios for the Bank continue to remain very strong. Our total risk-based capital ratio of 19.56% is well above the threshold for a well-capitalized bank and helps ensure that we have a firm foundation to meet the challenges of the future.

We continue to remain dedicated to our valued customers, our employees, our communities and to you our Shareholders. We are constantly reviewing our product offerings and delivery channels for customer service enhancements. We anticipate rolling out during the second quarter a newly designed account specifically for teens to introduce them to the benefits of banking with our community bank. We are also dedicated to staying in step with technological offerings with this focus being one of our primary strategic initiatives. For example, during the first quarter of 2019, the bank introduced an avenue to begin the mortgage loan application process online through an enhancement to our website. We believe our efforts help to make banking more accessible to the newer generation of customers.

I am happy to report that we were once again voted “Best Bank” by the Times Virginian Readers Choice Awards for 2019, a recognition we have received for the past four years. The Bank also was recognized for the third year for “Best Customer Service” and “Best Teller.” As part of recognizing our 100th year of operation, we celebrated the stories of how our Bank was able to assist so many with meeting their financial goals. It was so rewarding to hear all of the stories knowing that we are making a difference. We are proud to be a home-town bank.

We appreciate your loyalty and support. As a shareholder, you provide the means by which we operate, and we pledge to enhance your shareholder value. I encourage you to recommend our services to your friends and neighbors. I also invite you to remain an involved participant in this great institution known as home-town, 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

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

March 31, 2019

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

www.thefarmersbankva.com

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

	(Unaudited) March 31, 2019	(Audited) December 31, 2018
Assets		
Cash and cash equivalents		
Cash and due from banks	\$ 5,310	\$ 4,794
Federal funds sold	4,287	477
Total cash and cash equivalents	9,597	5,271
Securities		
Available-for-sale, at fair value	34,712	36,496
Held to maturity, at amortized cost	21,500	21,525
Loans, net	155,622	153,678
Bank premises and equipment, net	2,463	2,494
Accrued interest receivable	939	1,054
Investment in bank-owned life insurance	6,272	6,234
Other real estate owned	276	148
Prepaid pension expense	1,163	1,180
Other assets	1,769	1,856
Total assets	\$ 234,313	\$ 229,936
Liabilities and Stockholders' Equity		
Deposits		
Demand - noninterest bearing	\$ 41,905	\$ 39,590
Demand - interest bearing	49,249	48,712
Savings	49,815	51,019
Time:		
Certificates of deposits of over \$250	7,402	7,784
Other	50,177	48,951
Total deposits	198,548	196,056
Securities sold under repurchase agreements	2,935	1,845
Accrued interest payable	97	87
Deferred income tax	196	93
Other liabilities	668	528
Total liabilities	202,444	198,609
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	29,920	29,726
Net accumulated other comprehensive gain	(1,218)	(1,566)
Total stockholders' equity	31,869	31,327
Total liabilities and stockholders' equity	\$ 234,313	\$ 229,936

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

	Three Months Ended	
	3/31/2019	3/31/2018
Interest Income		
Interest and fees on loans	\$ 1,998	\$ 1,890
Interest on securities		
U. S. Government-sponsored agencies	79	77
Obligations of states and political subdivisions - nontaxable	185	203
Obligations of states and political subdivisions - taxable	49	100
Corporate obligations	87	70
Mortgage-backed Securities	12	—
Interest on federal funds sold	5	14
Total interest income	2,415	2,354
Interest Expense		
Interest on deposits	200	178
Interest on time certificates of \$250 and over	27	32
Interest on securities sold under repurchase agreements	1	2
Total interest expense	228	212
Net interest income	2,187	2,142
Provision for loan losses	31	71
Net interest income after provision for loan losses	2,156	2,071
Noninterest Income		
Service charges on deposit accounts	127	138
Gain on sales and calls of securities	1	1
Other	99	89
Total noninterest income	227	228
Noninterest Expense		
Salaries and employee benefits	917	890
Expenses of premises and equipment	135	130
Other operating expenses	579	575
Total noninterest expense	1,631	1,595
Income before income tax expense	752	704
Income tax expense	124	99
Net income	\$ 628	\$ 605
Per share data:		
Earnings per share	\$ 0.58	\$ 0.56
	Low	High
Stock prices first quarter 2019	\$ 28.60	\$ 29.19