

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 2020. As I approach my thirty fifth year of banking, I can honestly say that the beginning of 2020 has proven to be some of the most unpredictable and challenging months I have experienced. I am sure that most of you would agree that given the uncertainty that comes with dealing with a worldwide pandemic leads to much concern for our economy and financial future. I would like to begin by stating that I am very proud of how community banking, and more specifically The Farmers Bank of Appomattox, has risen to new heights to address the many issues that COVID-19 has brought into our community.

Although recently we have had to adjust the way we do banking, our customer driven focus has remained the most important factor on how we move forward. We have stood ready to be a beacon in these times of uncertainty, when often the larger banks have let the community down. Our Bank has issued over 180 Small Business Administration - Paycheck Protection Program loans to small businesses in our area, lending over \$10.3 million. These are loans that allow businesses in our communities to continue to operate and pay their employees. We have assisted with loan deferments for customers who have been laid off or have seen a reduction in their income due to the pandemic. Through these difficult times, we have also remained a responsible employer, seeking to meet the needs of our employees.

During this challenging period, the Bank has continued our previous trend of improved earnings and moderate growth. Net Income of \$644 thousand represents an increase of \$16.1 thousand compared to 2019 first quarter earnings. This equates to a 2.56 % increase and a strong Return on Average Assets of 1.08%. Interest and fees on loans increased by \$31.3 thousand, while interest expense increased \$48 thousand year over year. Non-Interest income for the first quarter of 2020 increased by \$80.5 thousand primarily as the result of a gain on a called security. Non-interest expense remained relatively constant and our efficiency ratio of 68.52 out-performed national peers by 354 bps.

The Bank experienced total asset growth of \$3.8 million (1.63%) as of March 31, 2020 compared to December 31, 2019 resulting in quarter end total assets of \$239.6 million. Deposits grew \$3.4 million (1.71%) and loans grew \$2.4 million (1.57%) during the first quarter of 2020. Management cautiously anticipates continued growth in both loans and deposits during the remainder of 2020. Capital ratios for the Bank continue to remain very strong, given our total capital ratio of 21.11% which is 488 bps above the average ratio for peer banks. This excess capital helps ensure that we have a firm foundation to meet the challenges that this pandemic may bring.

I am extremely appreciative of our directors, officers and employees that have worked tirelessly to ensure that our customers' needs were met. They have remained flexible and dedicated to serving our communities. It is times like these that we appreciate the opportunity to further strengthen our ties with our customers. There is a dedication that grows with time and we continue to value our customers, employees, and shareholders. We are constantly reviewing our product offerings and delivery channels for customer service enhancements. I am also happy to report that we were once again voted "Best Bank" by the Times Virginian Readers' Choice Awards for 2020 and recognized for having the "Best Customer Service."

The future may be uncertain, but one thing that you may count on is that your hometown Bank is here and ready to meet the challenges ahead. As a shareholder, you provide the means by which we able to operate. So, you too have a part in upholding and strengthening our customers during this pandemic. We appreciate your loyalty and 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, 2020

**FB** The FARMERS BANK  
MEMBER FDIC 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) March 31, 2020</b>	<b>(Audited) December 31, 2019</b>
Cash and cash equivalents		
Cash and due from banks	\$ 5,223	\$ 4,434
Federal funds sold	10,613	5,798
<b>Total cash and cash equivalents</b>	<b>15,836</b>	<b>10,232</b>
Securities		
Available-for-sale, at fair value	38,937	37,234
Held to maturity, at amortized cost	13,665	19,477
Loans, net	157,493	155,061
Bank premises and equipment, net	2,747	2,667
Accrued interest receivable	859	1,017
Investment in bank-owned life insurance	6,425	6,387
Other real estate owned	148	148
Prepaid pension expense	1,620	1,638
Other assets	1,857	1,890
<b>Total assets</b>	<b>\$ 239,587</b>	<b>\$ 235,751</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits		
Demand - noninterest bearing	\$ 45,514	\$ 42,449
Demand - interest bearing	47,043	47,508
Savings	50,548	49,597
Time:		
Certificates of deposits of over \$250	8,097	7,524
Other	51,433	52,149
<b>Total deposits</b>	<b>202,635</b>	<b>199,227</b>
Securities sold under repurchase agreements	2,888	1,733
Accrued interest payable	112	114
Deferred income tax	146	345
Other liabilities	865	734
<b>Total liabilities</b>	<b>206,646</b>	<b>202,153</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	31,530	31,428
Net accumulated other comprehensive gain	(1,756)	(997)
<b>Total stockholders' equity</b>	<b>32,941</b>	<b>33,598</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 239,587</b>	<b>\$ 235,751</b>

**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>3/31/2020</b>	<b>3/31/2019</b>
<b>Interest Income</b>		
Interest and fees on loans	\$ 2,030	\$ 1,998
Interest on securities		
U. S. Government-sponsored agencies	76	79
Obligations of states and political subdivisions - nontaxable	152	185
Obligations of states and political subdivisions - taxable	43	49
Corporate obligations	61	87
Mortgage-backed securities	27	12
Interest on federal funds sold	18	5
<b>Total interest income</b>	<b>2,407</b>	<b>2,415</b>
<b>Interest Expense</b>		
Interest on deposits	235	200
Interest on time certificates of \$250 and over	39	27
Interest on securities sold under repurchase agreements	2	1
<b>Total interest expense</b>	<b>276</b>	<b>228</b>
<b>Net interest income</b>	<b>2,131</b>	<b>2,187</b>
Provision for loan losses	29	31
<b>Net interest income after provision for loan losses</b>	<b>2,102</b>	<b>2,156</b>
<b>Noninterest Income</b>		
Service charges on deposit accounts	131	127
Gain on sales and calls of securities	96	1
Other	80	99
<b>Total noninterest income</b>	<b>307</b>	<b>227</b>
<b>Noninterest Expense</b>		
Salaries and employee benefits	894	917
Expenses of premises and equipment	148	135
Other operating expenses	591	579
<b>Total noninterest expense</b>	<b>1,633</b>	<b>1,631</b>
<b>Income before income tax expense</b>	<b>776</b>	<b>752</b>
Income tax expense	132	124
<b>Net income</b>	<b>\$ 644</b>	<b>\$ 628</b>
Per share data:		
Earnings per share	<b>\$ 0.59</b>	<b>\$ 0.58</b>
	<b>Low</b>	<b>High</b>
Stock prices first quarter 2020	<b>\$ 26.00</b>	<b>\$ 35.00</b>