

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 position and results of operations for the nine-month period ended September 30, 2024. We continue to operate in an economic environment that is defined by increased competition and great uncertainty. We face greater challenges to earnings and growth than in previous years. Nine-month net income of \$1.95 million reflected a \$267 thousand decrease from September 2023 net income of \$2.22 million. Our year-to-date net income represents earnings per share of \$1.80 and a Return on Average Assets of 0.76%, which is comparable to peers.

During the first nine months of 2024, loans grew \$2.9 million or 1.3%. Year to date interest and fees on loans exceeded \$9.7 million, a year over year increase of \$1.2 million resulting from rising interest rates. This led to a 65-bps improvement in the composite loan yield to 5.93%. Deposit balances grew by \$5.8 million to \$314.6 million with a 1.70% composite deposit cost, which was a dramatic increase compared to the prior year. Rising interest rates resulted in an increase of \$1.72 million in interest expense. Investment balances reported at fair value with a third quarter-end balance of \$93.2 million. The Bank's investment portfolio remains in an unrealized loss position due to the effect of the rising interest rates on the fixed rate bonds in the portfolio. Management has taken steps to strategically address investment holdings to improve earnings.

The increased interest income and interest expense resulted in a net interest income increase of \$498 thousand with a tax equivalent net interest margin of 3.30%. Noninterest income remained relatively constant while noninterest expense increased \$535 thousand (8.9%) attributed partially to an increase in salary and benefits costs associated with increases salary expense of \$171 thousand and an increase in the pension expense of \$160 thousand due to settlement accounting requirements with the Bank's defined benefit retirement program. Other contributing factors to the increased noninterest expense include increases in FDIC assessment, audit fees and loss on sale of repossessions. Management remains diligent in our efforts to manage the expenses within our control and are taking additional measures to increase income.

Our Timberlake Branch location in Lynchburg is progressing well and we hope to open the beginning of the new year. As stated before, with our commitment to remaining independent, we must look to expand our market. This is a strategic initiative that has been considered for some time, and we are excited to see it come to reality. More information will be shared as it becomes available. I would also like to make you aware that Dawn Tolley, the Bank's Executive Vice President and Chief Financial Officer retired after a dedicated 30-year service to our institution. We wish Dawn well at this new season of her life and thank her for all of her efforts to advance our Bank.

As always, I remain thankful for you, our valued shareholders and customers that allow us to continue on this path of community banking. We add value to the communities we serve and do so with a personal touch. We are attentive, responsive and dedicated to our customers and small businesses. In addition, we value and provide employment to close to 80 banking professionals. We continually keep our eye to the future while being grounded in the core values that have brought us this far. Please take time to recommend us to your associates and friends. Your Community, Your Bank, Your Future... 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

September 30, 2024

 **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)

<u>Assets</u>	(Unaudited) September 30, 2024	(Audited) December 31, 2023
Cash and cash equivalents		
Cash and due from banks	\$ 5,175	\$ 4,979
Federal funds sold	8,358	4,800
Total cash and cash equivalents	<u>13,533</u>	<u>9,779</u>
Securities		
Available-for-sale, at fair value	93,192	93,845
Loans, net	223,593	220,695
Bank premises and equipment, net	5,404	3,348
Accrued interest receivable	1,708	1,615
Investment in bank-owned life insurance	10,220	10,001
Prepaid pension expense	720	1,169
Defferen income tax	1,801	2,028
Other real estate owned	—	148
Other assets	<u>2,820</u>	<u>2,482</u>
<b>Total assets</b>	<b><u>\$352,991</u></b>	<b><u>\$345,110</u></b>
<u>Liabilities and Stockholders' Equity</u>		
Deposits		
Demand - noninterest bearing	\$ 59,398	\$ 57,928
Demand - interest bearing	62,412	67,322
Savings	59,475	63,368
Time:		
Certificates of deposits of over \$250	35,060	30,720
Other	<u>98,298</u>	<u>89,355</u>
Total deposits	314,643	308,693
Repurchase agreements and other borrowings	1,718	2,292
Accrued interest payable	777	615
Other liabilities	<u>1,150</u>	<u>876</u>
Total liabilities	<u>318,288</u>	<u>312,476</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	39,664	38,796
Accumulated other comprehensive net gain (loss)	<u>(8,128)</u>	<u>(9,329)</u>
Total stockholders' equity	<u>34,703</u>	<u>32,634</u>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$352,991</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)

	Three Months Ended		Nine Months Ended	
	9/30/2024	9/30/2023	9/30/2024	9/30/2023
Interest Income				
Interest and fees on loans	\$3,412	\$2,975	\$ 9,705	\$ 8,533
Interest on securities				
U.S. Treasury bills	—	—	9	—
U.S. Government-sponsored agencies	17	17	51	51
Obligations of states and political subdivisions - nontaxable	211	237	635	716
Obligations of states and political subdivisions - taxable	86	87	259	260
Corporate obligations	79	68	217	181
Mortgage-backed securities	257	26	773	81
SBA Pool Securities	94	—	289	—
Interest on federal funds sold	115	87	332	265
Other interest income	<u>13</u>	<u>—</u>	<u>40</u>	<u>—</u>
Total interest income	4,284	3,497	12,310	10,087
Interest Expense				
Interest on deposits	1,023	543	2,870	1,365
Interest on CDs of over \$250	380	326	1,081	811
Interest on repurchase agreements and other borrowings	<u>2</u>	<u>2</u>	<u>9</u>	<u>59</u>
Total interest expense	<u>1,405</u>	<u>871</u>	<u>3,960</u>	<u>2,235</u>
Net interest income	2,879	2,626	8,350	7,852
Provision for loan losses	197	25	478	197
Net interest income after provision for loan losses	2,682	2,601	7,872	7,655
Noninterest Income				
Service charges on deposit accounts	117	107	364	369
Gains on sale or call of securities	44	—	44	1
Other	<u>174</u>	<u>155</u>	<u>497</u>	<u>529</u>
Total noninterest income	<u>335</u>	<u>262</u>	<u>905</u>	<u>899</u>
Noninterest Expense				
Salaries and employee benefits	1,206	1,125	3,612	3,256
Expenses of premises and equipment	180	162	547	495
Data processing	285	264	843	787
Other operating expenses	563	481	1,544	1,473
Total noninterest expense	2,234	2,032	6,546	6,011
Income before income tax expense	783	831	2,231	2,543
Income tax expense	99	107	279	324
Net income	\$ 684	\$ 724	\$ 1,952	\$ 2,219
Per share data:				
Earnings per share	\$ 0.63	\$ 0.67	\$ 1.80	\$ 2.05
	High	Low		
Stock prices third quarter 2024	\$22.84	\$21.66		