

Dear Shareholders,

2017 continues to be another strong year for The Farmers Bank of Appomattox with third quarter net income of \$636 being the Bank's strongest quarter in 2017 by far. Year to date earnings of \$1.65 million fell short of 2016 nine-month earnings of \$2.24 million due to the 2016 earnings boost resulting from the payout of bank-owned life insurance (BOLI). The BOLI net income of \$742 thousand was received in third quarter 2016 as a result of the death of the Bank's former Vice President, James E. Duff, Jr. Interest and fees on loans grew \$560 thousand year over year while interest expense decreased \$17 thousand. The provision for loan losses increased \$263 year over year as management took a conservative approach in evaluating potential loan losses. The Board of Directors reviews loans 30 or more days past due on a monthly basis in an effort to identify any negative trends or areas of concern.

Total assets of \$241 million continued a growth trend with a year to date increase of \$7.6 million or 3.25% as of the third quarter end compared to year end 2016. Net loans of \$148 million grew \$11.5 million with the largest growth in the 1-4 family real estate and indirect dealer loans. Deposits also grew \$5.3 million or 2.62% to a quarter end balance of \$208 million. Deposit growth has primarily been in core deposits with growth in basic demand deposit and savings accounts being sufficient to absorb a slight decline in certificate of deposit balances.

The Bank continues to work with OTC Markets to provide ongoing shareholder information regarding our Bank. The OTC Exchange provides information relevant to both current and potential investors. Our Bank also continues to post our financial information online on the Bank's website for your convenience. If you have not had an opportunity to visit our website (www.thefarmersbankva.com) and more specifically our *Shareholders Services* link, I would encourage you to do so.

As we move toward the end of 2017, Farmers Bank remains a strong community bank with a strong capital position and a documented history of growth. We have deep ties to the communities we serve and we care about these communities. Our employees continually strive not only to provide you with excellence in customer service, but also desire to give back to our communities. Our partnership with Gleaning for the World continues to be an example of how we give back each and every month. Quite often, our Bank is the institution of choice for non-profit organizations due to our commitment to provide discounted service prices. The Bank is looking forward with great anticipation to celebrating our 100th year in 2018. We will bring more stories of our rich history throughout the years. We remain committed to you our shareholders and the customers we serve. I encourage you to recommend our services to your friends and neighbors.

Sincerely,



John R. Caldwell
President & CEO

RONALD C. SPIGGLE
Chairman of the Board

JOHN R. CALDWELL
President and Chief Executive Officer

BRUCE S. DRINKARD
Senior Vice President

JANE H. KELLY
Senior Vice President

DAWN S. TOLLEY
Senior Vice President

Directors

JOHN R. CALDWELL
CHRISTOPHER J. DILLON
THOMAS D. EVANS, JR.
ALISON F. GOBBLE
LAURIE S. HARRIS
BENJAMIN H. JOHNSON
ALFRED L. JONES, III
R. KINCKLE ROBINSON
RONALD C. SPIGGLE
LUTHER C. THOMAS
DOUGLAS M. WEBB

QUARTERLY FINANCIAL STATEMENT

September 30, 2017

 **The FARMERS BANK**
MEMBER FDIC 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)

Assets	(Unaudited) September 30, 2017	(Audited) December 31, 2016
Cash and cash equivalents		
Cash and due from banks	\$ 4,832	\$ 4,297
Federal funds sold	4,391	2,811
Total cash and cash equivalents	<u>9,223</u>	<u>7,108</u>
Securities		
Available-for-sale, at fair value	48,416	52,101
Held to maturity, at amortized cost	23,098	25,622
Loans, net	148,215	136,671
Bank premises and equipment, net	2,524	2,530
Accrued interest receivable	1,086	1,243
Investment in bank-owned life insurance	6,039	5,916
Other real estate owned	616	572
Prepaid pension expense	309	392
Other assets	1,718	1,487
Total assets	<u>\$ 241,244</u>	<u>\$ 233,642</u>
Liabilities and Stockholders' Equity		
Deposits		
Demand - noninterest bearing	\$ 41,945	\$ 40,044
Demand - interest bearing	47,306	45,903
Savings	51,280	47,535
Time:		
Certificates of deposits of \$100 and over	37,721	37,344
Other	29,499	31,625
Total deposits	<u>207,751</u>	<u>202,451</u>
Securities sold under repurchase agreements	2,515	977
Accrued interest payable	85	91
Deferred income taxes	129	169
Other liabilities	735	714
Total liabilities	<u>211,215</u>	<u>204,402</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	27,464	26,717
Accumulated other comprehensive net gain (loss)	(602)	(644)
Total stockholders' equity	<u>30,029</u>	<u>29,240</u>
Total liabilities and stockholders' equity	<u>\$ 241,244</u>	<u>\$ 233,642</u>

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	
	9/30/2017	9/30/2016	9/30/2017	9/30/2016
Interest Income				
Interest and fees on loans	\$ 1,855	\$ 1,638	\$ 5,345	\$ 4,785
Interest on securities				
U. S. Government-sponsored agencies	87	94	271	283
Obligations of states and political subdivisions - nontaxable	220	237	684	686
Obligations of states and political subdivisions - taxable	139	189	500	568
Corporate obligations	75	68	209	193
Corporate certificates of deposit	—	3	—	14
Interest on federal funds sold	6	4	22	15
Total interest income	<u>2,382</u>	<u>2,233</u>	<u>7,031</u>	<u>6,544</u>
Interest Expense				
Interest on deposits	119	124	351	379
Interest on time certificates of \$100 and over	106	111	321	310
Interest on securities sold under repurchase agreements	2	2	5	5
Total interest expense	<u>227</u>	<u>237</u>	<u>677</u>	<u>694</u>
Net interest income	2,155	1,996	6,354	5,850
Provision for loan losses	85	136	426	163
Net interest income after provision for loan losses	<u>2,070</u>	<u>1,860</u>	<u>5,928</u>	<u>5,687</u>
Noninterest Income				
Service charges on deposit accounts	144	142	431	429
Gains on sale or call of securities	37	10	37	100
Other	107	827	293	1,023
Total noninterest income	<u>288</u>	<u>979</u>	<u>761</u>	<u>1,552</u>
Noninterest Expense				
Salaries and employee benefits	847	806	2,549	2,495
Expenses of premises and equipment	132	144	394	381
Other operating expenses	547	495	1,648	1,742
Total noninterest expense	<u>1,526</u>	<u>1,445</u>	<u>4,591</u>	<u>4,618</u>
Income before income tax expense	<u>832</u>	<u>1,394</u>	<u>2,098</u>	<u>2,621</u>
Income tax expense	196	132	451	386
Net income	<u>\$ 636</u>	<u>\$ 1,262</u>	<u>\$ 1,647</u>	<u>\$ 2,235</u>
Per share data:				
Earnings per share	<u>\$ 0.59</u>	<u>\$ 1.16</u>	<u>\$ 1.52</u>	<u>\$ 2.06</u>
	High	Low		
Stock prices third quarter 2017	\$ 28.00	\$ 25.00		