

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 operation for the first six months of 2022. As we reach the midpoint of this year, our Bank remains strong and profitable with many benchmarks above peer banks. We operate in an environment marked by increasing interest rates and many other economic uncertainties. I am very proud of how The Farmers Bank of Appomattox continues our quest to meet the ever-changing needs of our customers while aspiring to be a shining example of what it means to be a valued community partner.

The second quarter of 2022 remained very profitable with earnings comparable to the previous year. Six-month net income of \$1.52 million was consistent with 2021 six-month net income of \$1.56 million. The Bank maintained favorable profitability where increased loan and investment income outpaced a \$346 thousand decline in loan fees associated with the SBA Payroll Protection Program. Overall, the increase of \$119 thousand in interest income, along with the \$6 thousand decrease in interest expense resulted in a \$125 thousand increase in net interest income and a 3.34% tax-exempt net interest margin. In addition, the Bank's Return on Average Assets was 0.99%, with both ratios comparing favorably to national and state peer banks. Earnings per share were \$1.40.

As of 6/30/22 the Bank's total assets of \$313 million have declined slightly compared to year-end 2021. This is primarily due to a \$10 million corporate deposit that was received at year end and transferred out shortly after the first of the year. Given this transaction, Total Assets remain relatively consistent. During the first six months of 2022, the Bank experienced strong loan growth of \$22.5 million and a decrease in Total Deposits of \$9.9 million. This decrease in deposits is consistent with the large transitory commercial deposit made at year end. Also of note is the decline in stockholders' equity of \$9.0 million. This is due to the net unrealized loss in the Bank's bond portfolio. With the recent sharp increase in interest rates from the Federal Reserve Bank, the bond portfolio is in an unrealized loss position given the marketability of lower interest fixed rate bands compared to current rates. These are unrealized losses and the loss would only become realized if management decided to sell the bonds in this current market. For the most part, management has utilized other funding sources to meet funding needs. This decrease in stockholders' equity is a common occurrence in the Banking community.

I remain thankful for you, our valued shareholders and customers that allow us to continue on this path of community banking. We have an experienced and dedicated team of bank professionals ready to meet the challenges ahead. As a reminder, there has never been a better time to bank with a true community bank. We are attentive, responsive and dedicated to our customers and small businesses. Please let us know how we can serve you better. As always, 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
LUTHER C. THOMAS
DOUGLAS M. WEBB

QUARTERLY FINANCIAL STATEMENT

June 30, 2022

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)

<u>Assets</u>	<u>(Unaudited)</u> <u>June 30, 2022</u>	<u>(Audited)</u> <u>December 31, 2021</u>
Cash and cash equivalents		
Cash and due from banks	\$ 5,155	\$ 5,154
Federal funds sold	—	4,750
Total cash and cash equivalents	<u>5,155</u>	<u>9,904</u>
Securities		
Available-for-sale, at fair value	69,899	95,176
Held to maturity, at amortized cost	9,671	10,607
Loans, net	207,708	185,288
Bank premises and equipment, net	2,546	2,651
Accrued interest receivable	1,322	1,326
Investment in bank-owned life insurance	9,639	9,527
Prepaid pension expense	1,995	2,055
Deferred income tax	2,197	—
Other real estate owned	118	186
Other assets	2,609	2,218
Total assets	<u>\$312,859</u>	<u>\$318,938</u>
<u>Liabilities and Stockholders' Equity</u>		
Deposits		
Demand - noninterest bearing	\$ 59,700	\$ 72,410
Demand - interest bearing	69,378	66,945
Savings	75,139	70,789
Time:		
Certificates of deposits of over \$250	12,281	12,875
Other	51,351	54,724
Total deposits	<u>267,849</u>	<u>277,743</u>
Repurchase agreements and other borrowings	15,503	2,005
Accrued interest payable	81	87
Deferred income taxes	—	452
Other liabilities	653	869
Total liabilities	<u>284,086</u>	<u>281,156</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	36,116	35,299
Accumulated other comprehensive net gain (loss)	(10,510)	(684)
Total stockholders' equity	<u>28,773</u>	<u>37,782</u>
Total liabilities and stockholders' equity	<u>\$312,859</u>	<u>\$318,938</u>

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Interest Income				
Interest and fees on loans	\$2,249	\$2,237	\$4,432	\$4,373
Interest on securities				
U. S. Government-sponsored agencies	19	31	48	58
Obligations of states and political subdivisions - nontaxable	280	282	576	539
Obligations of states and political subdivisions - taxable	88	89	180	173
Corporate obligations	48	44	85	88
Mortgage-backed securities	30	14	54	25
Interest on federal funds sold	2	2	2	3
Total interest income	<u>2,716</u>	<u>2,699</u>	<u>5,377</u>	<u>5,259</u>
Interest Expense				
Interest on deposits	149	166	304	330
Interest on CDs of over \$250	39	39	82	76
Interest on repurchase agreements and other borrowings	17	2	18	5
Total interest expense	<u>205</u>	<u>207</u>	<u>404</u>	<u>411</u>
Net interest income	2,511	2,492	4,973	4,848
Provision for loan losses	103	4	129	4
Net interest income after provision for loan losses	<u>2,408</u>	<u>2,488</u>	<u>4,844</u>	<u>4,844</u>
Noninterest Income				
Service charges on deposit accounts	135	130	260	241
Gains on sale or call of securities	9	—	9	1
Other	146	135	264	232
Total noninterest income	<u>290</u>	<u>265</u>	<u>533</u>	<u>474</u>
Noninterest Expense				
Salaries and employee benefits	962	931	1,948	1,894
Expenses of premises and equipment	175	175	337	331
Other operating expenses	699	640	1,350	1,276
Total noninterest expense	<u>1,836</u>	<u>1,746</u>	<u>3,635</u>	<u>3,501</u>
Income before income tax expense	<u>862</u>	<u>1,007</u>	<u>1,742</u>	<u>1,817</u>
Income tax expense	97	147	221	257
Net income	<u>\$ 765</u>	<u>\$ 860</u>	<u>\$1,521</u>	<u>\$1,560</u>
Per share data:				
Earnings per share	<u>\$ 0.70</u>	<u>\$ 0.79</u>	<u>\$ 1.40</u>	<u>\$ 1.44</u>
	High	Low		
Stock prices second quarter 2022	\$31.50	\$29.00		