

Dear Shareholders,

I am pleased to provide to you, on behalf of our Board of Directors and Executive Management team, a report on the financial condition and results of operations for the first quarter of 2024. The banking environment remains uncertain with economic conditions providing definite head winds as we approach the year ahead. As we have stated before, operating within an economy of this type requires us to be nimble and focused on the task of meeting not only the challenges of today, but also the changing needs and expectations of our customers.

During the first quarter of 2024, the Bank's net income of \$624 thousand represents a decrease of \$84 thousand (-11.88%) compared to 2023 first quarter earnings. This represents a return on average assets of 0.74%. Interest and fees on loans increased by \$476 due to an increase in the current composite yield to 5.79%. Year-to-date interest expense of \$1.24 million represented an increase of \$675 thousand. This figure is more than double the corresponding figure as of March 31, 2023. Net interest income for the first quarter of 2024 stood at \$2.72 million compared to \$2.58 million for the first quarter of 2023, and resulted in a tax-equivalent net interest margin of 3.27%. Other factors influencing earnings include a decrease of \$52 thousand in certificate of deposit early withdrawal penalties year-over-year and an increase in benefits expense year-over-year of \$121 thousand which reflects settlement accounting expense for the Bank's Cash Balance Pension Fund.

The Bank experienced a growth in total assets of \$1.4 million (0.41%) as of March 31, 2024 compared to December 31, 2023. The Bank has also experienced deposit growth of \$2.3 million as competition for deposits have remained prevalent. Due to the current interest rate environment and strong competition for loans, loans have actually decreased by \$4.5 million with total outstanding loans net of reserves at \$216 million. This decrease is partially representative of a very short-term commercial loan of \$3 million made at year-end 2023 and paid off in January of 2024. Capital ratios for the Bank continue to remain very strong given our total capital ratio of 19.41% as of March 31, 2024, which is well above the average ratio for peer banks. This excess capital helps ensure that we have a firm foundation to meet the challenges the future may bring.

As many of you may be aware, our Bank has been granted approval by the Federal Reserve Bank of Richmond to establish a branch in the Lynchburg, Virginia market. We are very excited about this endeavor and look forward to expanding our trade area with a branch to be opened in the first quarter of 2025. The Board and Management team are excited to see this strategic initiative come to fruition. More information will be made available in the near future.

I remain extremely appreciative of our directors, officers and employees that continually endeavor to ensure that our customers' needs are met. We strive to be a dedicated partner within the communities we serve. We value you, our shareholders, and the role you play in allowing our Bank to do what we do so well. Thank you for your support. It is great to be a part of this wonderful institution known for 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
CHRISTOPHER N. SIMPSON
DOUGLAS M. WEBB

QUARTERLY FINANCIAL STATEMENT

March 31, 2024

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> March 31, 2024	<u>(Audited)</u> December 31, 2023
Cash and cash equivalents		
Cash and due from banks	\$ 5,082	\$ 4,979
Federal funds sold	6,835	4,800
Total cash and cash equivalents	<u>11,917</u>	<u>9,779</u>
Securities		
Available-for-sale, at fair value	97,046	93,845
Loans, net	216,161	220,695
Bank premises and equipment, net	3,555	3,348
Accrued interest receivable	1,636	1,615
Investment in bank-owned life insurance	10,068	10,001
Prepaid pension expense	1,019	1,169
Deferred income tax	2,293	2,028
Other real estate owned	—	148
Other assets	<u>2,997</u>	<u>2,482</u>
Total assets	<u>\$346,692</u>	<u>\$345,110</u>
<u>Liabilities and Stockholders' Equity</u>		
Deposits		
Demand - noninterest bearing	\$ 59,634	\$ 57,928
Demand - interest bearing	62,431	67,322
Savings	61,661	63,368
Time:		
Certificates of deposits of over \$250	34,735	30,720
Other	<u>92,739</u>	<u>89,355</u>
Total deposits	311,200	308,693
Securities sold under repurchase agreements and other borrowings	1,887	2,292
Accrued interest payable	629	615
Other liabilities	<u>1,172</u>	<u>876</u>
Total liabilities	<u>314,888</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	38,824	38,796
Net accumulated other comprehensive gain	<u>(10,187)</u>	<u>(9,329)</u>
Total stockholders' equity	<u>31,804</u>	<u>32,634</u>
Total liabilities and stockholders' equity	<u>\$346,692</u>	<u>\$345,110</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>3/31/2024</u>	<u>3/31/2023</u>
Interest Income		
Interest and fees on loans	\$3,153	\$2,677
Interest on securities		
U.S. Treasury bills	8	—
U.S. Government-sponsored agencies	17	17
Obligations of states and political subdivisions - nontaxable	212	240
Obligations of states and political subdivisions - taxable	87	87
Corporate obligations	69	56
Mortgage-backed Securities	252	28
SBA Pool Securities	102	—
Interest on federal funds sold	56	41
Other interest income	<u>9</u>	<u>—</u>
Total interest income	<u>3,965</u>	<u>3,146</u>
Interest Expense		
Interest on deposits	899	345
Interest on time certificates of \$250 and over	337	166
Interest on repurchase agreements and other borrowings	<u>6</u>	<u>56</u>
Total interest expense	<u>1,242</u>	<u>567</u>
Net interest income	2,723	2,579
Provision for loan losses	<u>151</u>	<u>147</u>
Net interest income after provision for loan losses	<u>2,572</u>	<u>2,432</u>
Noninterest Income		
Service charges on deposit accounts	120	127
Gain on sales and calls of securities	—	1
Other	<u>146</u>	<u>189</u>
Total noninterest income	<u>266</u>	<u>317</u>
Noninterest Expense		
Salaries and employee benefits	1,202	1,057
Expenses of premises and equipment	172	162
Data processing	271	263
Other operating expenses	<u>483</u>	<u>460</u>
Total noninterest expense	<u>2,128</u>	<u>1,942</u>
Income before income tax expense	<u>710</u>	<u>807</u>
Income tax expense	<u>86</u>	<u>99</u>
Net income	<u>\$ 624</u>	<u>\$ 708</u>
Per share data:		
Earnings per share	<u>\$ 0.58</u>	<u>\$ 0.65</u>
	<u>Low</u>	<u>High</u>
Stock prices first quarter 2024	\$21.06	\$26.80