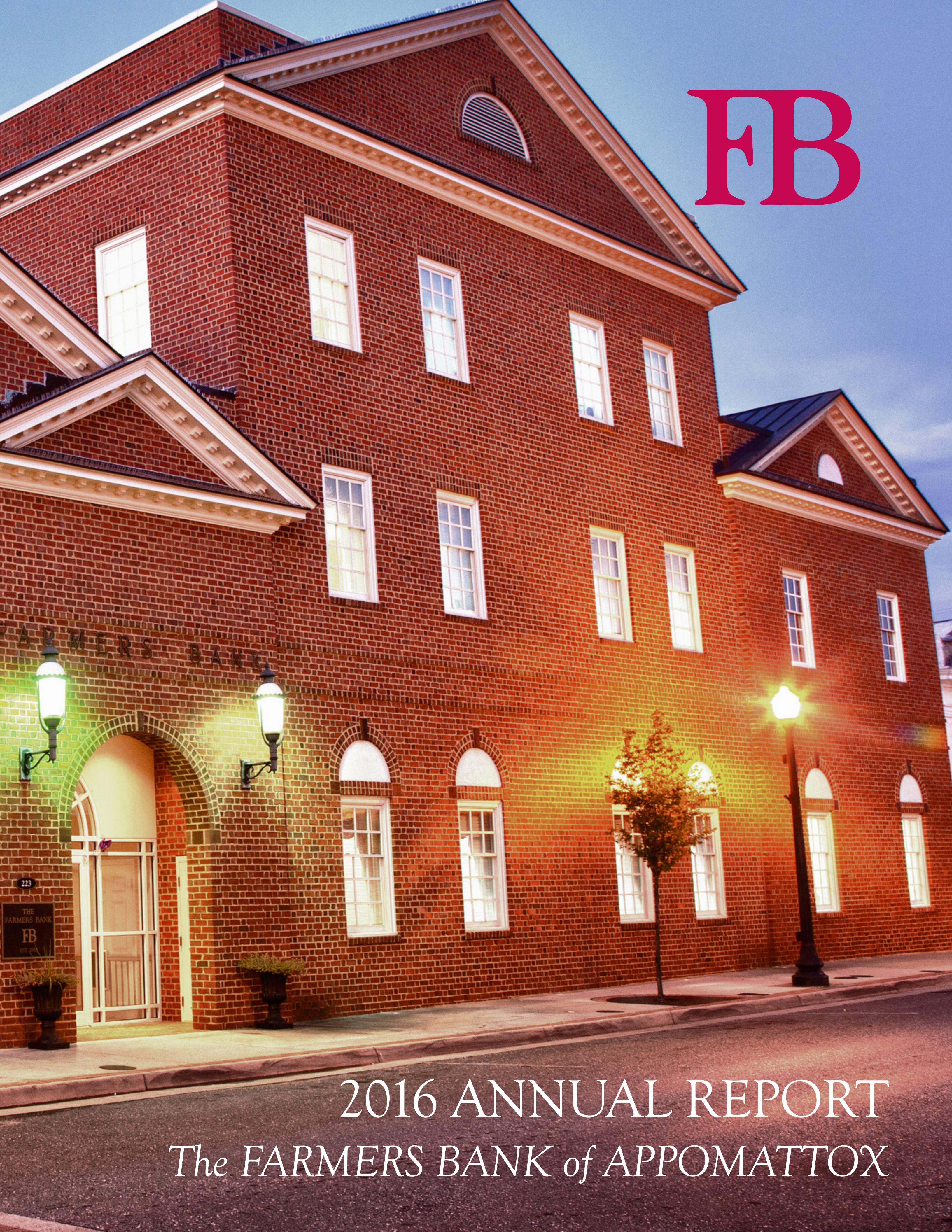

2016 ANNUAL REPORT

The FARMERS BANK *of* APPOMATTOX

THE FARMERS BANK OF APPOMATTOX AND SUBSIDIARY

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As of and for the years ended December 31, 2016 and December 31, 2015

Notice of Annual Meeting

The Annual Meeting of Shareholders will be held at 7:00 p.m. on May 16, 2017 at Appomattox Inn & Suites, 447 Old Courthouse Road, Appomattox, Virginia 24522. All shareholders are invited to attend.

Independent Auditor

Yount, Hyde & Barbour, P.C.
50 South Cameron Street
Winchester, VA 22604

Corporate Headquarters

The Farmers Bank of Appomattox
223 Main Street
Appomattox, Virginia 24522

Branches

Concord Branch
Brian D. Wilkerson, Manager
10272 Village Highway
Concord, VA 24538

Dillwyn Branch
Stephanie L. Oliver, Manager
16086 N. James Madison Highway
Dillwyn, VA 23936

Farmville Branch
Anabelle R. Milligan, Manager
1508 South Main Street
Farmville, VA 23901

Main Street Branch
Jane A. Thomas, Operations Manager
223 Main Street
Appomattox, VA 24522

Triangle Plaza Branch
Dianne R. Rudder, Manager
169 Old Courthouse Road
Appomattox, VA 24522

THE PRESIDENT'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors and management of The Farmers Bank of Appomattox, I am pleased to present our annual report of the financial condition and operations of our Bank for the years ended December 31, 2016 and 2015. We have once again had a very successful year, marked by growth in several key areas, including loans and deposits. Total assets grew by $10.8 million to $233.6 million, and stockholders' equity increased by $1.3 million. Management is also pleased to report that the Bank continued its tradition of earnings above many of our peers, with 2016 net income of $2.6 million, which was a 15.7% increase over 2015 earnings of $2.2 million.

Earnings in 2016 were driven in part by an increase in total interest income of $293 thousand and a decrease in total interest expense of $90 thousand. The improvement in interest income came as a result of a $10.1 million growth in loan balances in spite of falling yields. Loan balances increased 8.0% to $136.7 million, while the composite loan yield dropped 7 bps to 4.96%. Loan quality, which continues to be a major focus of management, remained satisfactory during 2016. Loan charge-offs remained below average compared to our Virginia peer banks, according to the 12/31/16 Virginia Bank Performance Report. Interest expense decreased during 2016 despite a strong deposit growth of $9.8 million or 5.07%. Deposit costs decreased 7 bps year over year in spite of the increase in deposit balances as management continued its practice of pricing deposits moderately compared to our competitors.

Another significant factor in the increase in 2016 earnings was the receipt of a $745 thousand net death benefit from bank-owned life insurance (BOLI) resulting from the death of one of the Bank's former Vice Presidents, James E. Duff, Jr. As reported in the third-quarter report, Mr. Duff was a well-respected member of the Farmville community and had served as Branch Manager of the Bank's Longwood Village Branch until April of 2015. We continue to mourn the loss of our friend and colleague. As stated earlier, we made a contribution to the Southside SPCA in Jim's memory, given his great love for animals.

The BOLI net death benefit is included in "other noninterest income." A portion of the proceeds was utilized strategically to better prepare the Bank for the future in such projects as a redesign of the Bank's website, more comprehensive professional marketing efforts and facilities upgrades. Another portion was distributed to shareholders in enhanced dividends in August 2016 and February 2017. As we continue to build on our legacy of service, we remember those who served us well in the past, such as Mr. Duff.

Management works diligently to meet the technology expectations of an ever-changing customer base. During 2016, we introduced Mobile Banking Remote Deposit Capture and began work to redesign our Bank's website. We have also begun efforts to introduce a new retail online banking product and a new business online banking product during 2017. Protecting our customer information remains a high priority for the Bank, and steps were taken in 2016 to enhance our cybersecurity efforts.

As a practice, management reviews various ratios to benchmark our performance in comparison with national and state peer institutions. Significant year-end comparisons include the Bank's return on average assets of 1.12%, which compared favorably to the Virginia peer banks' ROAA of 0.71%. In addition the Bank's return on average equity of 8.83% exceeded the Virginia peer group ROAE of 6.07%. The year-end efficiency ratio of 63.18% also compared very favorably with national and state peer groups.

As of December 31, 2016, the Bank had two of our long-term directors retire after many years of dedicated service to our institution. Mr. Watkins M. Abbitt, Jr. retired after 18 years of service, and former CEO and director Floyd E. Williams retired after 26 years of service. We wish these gentlemen well and will miss their contributions to our Bank. Christopher J. Dillon, Manager of Corporate Application Services for BWXT, has been appointed to our Board and brings a wealth of knowledge in the information technology arena. We welcome Chris to our Board and look forward to many years of service.

Our company also remains very dedicated to making a marked difference in the communities in which we operate. This past year, we donated many hours of service and $12 thousand to Gleaning for the World to assist with their mission of assisting others in need. We donate toward many worthwhile organizations in our community and give of our time both corporately and personally. We are thankful for the opportunities we have to give back, and recognized our employees during the previous year who provide leadership in this area. We are reminded each day to value each customer and make their banking experience a positive one. We are already making plans to celebrate our 100th year of service in 2018. More information will follow in the months to come.

As always, I am thankful for our dedicated and talented directors, officers and employees who have helped make 2016 such a productive year. To you, our shareholders, who have supported us throughout the years, we thank you. Please remember to recommend our services to your friends and associates. We would love the opportunity to demonstrate our superior service, expertise and responsiveness. We remain committed to deliver great value for your investment.

Sincerely,

John R. Caldwell

John R. Caldwell
President and Chief Executive Officer

THE FARMERS BANK OF APPOMATTOX AND SUBSIDIARY

Five-year Summary of Selected Financial Data
(In Thousands, Except Per-Share Data and Selected Ratios)

	Years Ended December 31				
Income statement data	2016	2015	2014	2013	2012
Interest income	$ 8,794	$ 8,501	$ 8,334	$ 8,507	$ 8,764
Interest expense	916	1,006	1,114	1,257	1,492
Net interest income	7,878	7,495	7,220	7,250	7,272
Provision for loan losses	300	76	118	91	311
Net interest income after provision for loan losses	7,578	7,419	7,102	7,159	6,961
Noninterest income	1,853	1,266	1,049	1,128	1,110
Noninterest expense	6,448	5,788	5,624	5,708	5,413
Income tax expense	408	671	512	561	670
Net income	$ 2,575	$ 2,226	$ 2,015	$ 2,018	$ 1,988
Per share data:					
Basic earnings per share	$ 2.38	$ 2.05	$ 1.86	$ 1.86	$ 1.83
Cash dividends per share	$ .75	$ .70	$ .70	$ .75	$ .65
Book value at year end	$ 26.98	$ 25.76	$ 24.56	$ 22.61	$ 23.17
Balance sheet data at end of year					
Available-for-sale securities	$ 52,101	$ 59,595	$ 65,040	$ 54,703	$ 49,950
Held to maturity securities	25,622	18,447	11,209	12,374	15,641
Total loans, net	136,671	126,559	120,417	119,549	118,022
Total assets	233,642	222,868	213,946	201,344	199,932
Deposits	202,451	192,680	185,420	174,003	169,021
Stockholders' equity	29,240	27,914	26,612	24,502	25,109
Selected ratios					
Return on average assets	1.12%	1.01%	0.96%	0.99%	1.01%
Return on average equity	8.83	8.18	7.75	8.24	8.14
Dividend payout ratio	31.57	34.08	37.64	40.27	35.42
Average equity to average assets	12.64	12.36	12.38	12.02	12.45

Common Stock Prices and Dividends Paid

The common stock of the Bank is not listed on a registered exchange. However, the investment firm of Davenport and Company, LLC has agreed to execute trades.

Following are listings of the quarterly high and low sales prices of Bank stock during 2016 and 2015, based on actual sales prices known to the Bank, along with the dividends that were paid during those periods. Prices do not necessarily reflect unreported trades, which may have been at lower or higher prices.

2016	High	Low	Dividends
1st Quarter	$ 19.30	$ 18.80	$ 0.40
2nd Quarter	$ 20.00	$ 19.00	-
3rd Quarter	$ 21.25	$ 19.25	$ 0.35
4th Quarter	$ 23.80	$ 21.25	-

2015	High	Low	Dividends
1st Quarter	$ 23.00	$ 17.50	$ 0.40
2nd Quarter	$ 23.25	$ 19.75	-
3rd Quarter	$ 19.99	$ 18.55	$ 0.30
4th Quarter	$ 18.80	$ 18.48	-

As of December 31, 2016, there were 1,083,660 outstanding shares of Bank common stock, par value $2.00 per share, held by 951 shareholders of record.

The Bank is subject to certain regulatory restrictions pertaining to the amount of dividends that it may pay. The Federal Reserve restricts, without prior approval, the total dividend payments of a member bank in any calendar year to the bank's net income of that year, as defined, combined with its retained net income of the preceding two calendar years, less any required transfers to surplus. At December 31, 2016, retained earnings which are free of such restrictions amounted to approximately $4,486,000. Please reference Note 11 of the Notes to Consolidated Financial Statements for a discussion of dividend restrictions and capital requirements.

Yount Hyde & Barbour
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
The Farmers Bank of Appomattox
Appomattox, Virginia

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of The Farmers Bank of Appomattox and Subsidiary (the Bank), which comprise the consolidated balance sheet as of December 31, 2016, the related consolidated statements of income and comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Farmers Bank of Appomattox and Subsidiary as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of the Bank, as of and for the year ended December 31, 2015, were audited by other auditors, whose report, dated March 18, 2016, expressed an unmodified opinion on those statements.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
March 14, 2017

THE FARMERS BANK OF APPOMATTOX AND SUBSIDIARY
Consolidated Balance Sheets
December 31, 2016 and 2015
(In thousands, except share and per-share data)

Assets	2016	2015
Cash and cash equivalents		
Cash and due from banks	$ 4,297	$ 4,338
Federal funds sold	2,811	3,169
Total cash and cash equivalents	7,108	7,507
Securities		
Available-for-sale, at fair value	52,101	59,595
Held to maturity, at amortized cost	25,622	18,447
Loans, net of allowance for loan losses ($734 and $621)	136,671	126,559
Bank premises and equipment, net	2,530	2,554
Accrued interest receivable	1,243	1,155
Investment in bank-owned life insurance	5,916	5,549
Prepaid pension expense	392	141
Other real estate owned	572	175
Other assets	1,487	1,186
Total assets	$ 233,642	$ 222,868
Liabilities and Stockholders' Equity		
Deposits		
Demand – noninterest bearing	$ 40,044	$ 36,942
Demand – interest bearing	45,903	40,614
Savings	47,535	45,629
Time:		
Certificates of deposit of $100 and over	37,344	35,300
Other	31,625	34,195
Total deposits	202,451	192,680
Securities sold under repurchase agreements	977	1,418
Accrued interest payable	91	100
Deferred income taxes	169	462
Other liabilities	714	294
Total liabilities	204,402	194,954
Stockholders' equity		
Common stock, $2 par value. Authorized 1,600,000 shares: issued and outstanding 1,083,660 shares	2,167	2,167
Additional paid-in capital	1,000	1,000
Retained earnings	26,717	24,956
Accumulated other comprehensive loss	(644)	(209)
Total stockholders' equity	29,240	27,914
Total liabilities and stockholders' equity	$ 233,642	$ 222,868

See notes to consolidated financial statements

THE FARMERS BANK OF APPOMATTOX AND SUBSIDIARY
Consolidated Statements of Income and Comprehensive Income
Years Ended December 31, 2016 and 2015
(In thousands, except share and per-share data)

	2016	2015
Interest income		
Interest and fees on loans	$ 6,458	$ 6,165
Interest on securities		
U.S. Government agencies	375	385
Obligations of states and political subdivisions – nontaxable	919	895
Obligations of states and political subdivisions – taxable	751	774
Corporate obligations	256	247
Corporate certificates of deposit	15	27
Interest on federal funds sold	20	8
Total interest income	8,794	8,501
Interest expense		
Interest on deposits	910	1,002
Interest on securities sold under repurchase agreements	6	4
Total interest expense	916	1,006
Net interest income	7,878	7,495
Provision for loan losses	300	76
Net interest income after provision for loan losses	7,578	7,419
Noninterest income		
Service charges on deposit accounts	567	573
Gain on sales, calls or maturities of securities	103	45
Net death benefit and income from bank-owned life insurance	900	163
Other	283	485
Total noninterest income	1,853	1,266
Noninterest expense		
Salaries and employee benefits	3,482	3,240
Expenses of premises and equipment	534	478
Other operating expenses	2,432	2,070
Total noninterest expense	6,448	5,788
Income before income tax expense	2,983	2,897
Income tax expense	408	671
Net income	2,575	2,226
Other comprehensive loss		
Unrealized (losses) on available-for-sale securities, net of deferred income tax of ($145) and ($75) in 2016 and 2015, respectively	(282)	(116)
Reclassification of gains recognized in net income, net of income tax of $35 and $15 in 2016 and 2015, respectively	(68)	(30)
Change in funded status of pension, net of deferred income tax of ($44) and ($10) in 2016 and 2015, respectively	(85)	(20)
Total other comprehensive loss	(435)	(166)
Comprehensive income	$ 2,140	$ 2,060
Per share data:		
Earnings per share, basic and diluted	$ 2.38	$ 2.05
Cash dividends per share	$ 0.75	$ 0.70

See notes to consolidated financial statements

THE FARMERS BANK OF APPOMATTOX AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2016 and 2015
(In thousands, except per-share data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total Stockholders' Equity
Balances at January 1, 2015	$ 2,167	$ 1,000	$ 23,488	$ (43)	$ 26,612
Net income	-	-	2,226	-	2,226
Cash dividends ($0.70 per share)	-	-	(758)	-	(758)
Other comprehensive loss	-	-	-	(166)	(166)
Balances at December 31, 2015	**2,167**	**1,000**	**24,956**	**(209)**	**27,914**
Net income	-	-	2,575	-	2,575
Cash dividends ($0.75 per share)	-	-	(814)	-	(814)
Other comprehensive loss	-	-	-	(435)	(435)
Balances at December 31, 2016	**$ 2,167**	**$ 1,000**	**$ 26,717**	**$ (644)**	**$ 29,240**

See notes to consolidated financial statements

THE FARMERS BANK OF APPOMATTOX AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015
(In thousands)

	2016	2015
Cash flow from operating activities:		
Net income	$ 2,575	$ 2,226
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of bank premises and equipment	178	186
Net gain on sale, call or maturity of investment securities	(103)	(43)
Net amortization and accretion of premiums and discounts on securities	320	305
Provision for loan losses	300	76
Provision (benefit) for deferred income taxes	(69)	181
Net increase in cash surrender value of bank-owned life insurance	(160)	(163)
Valuation write-downs of other real estate	-	93
(Gain) on the sale of other real estate	-	(5)
(Gain) on the settlement of bank-owned life insurance	(740)	-
Net (increase) decrease in:		
Accrued interest receivable	(88)	2
Prepaid pension expense	(380)	(171)
Other assets	(301)	(417)
Net increase (decrease) in:		
Accrued interest payable	(9)	(14)
Accrued pension expense	-	(100)
Other liabilities	420	18
Net cash provided by operating activities	1,943	2,174
Cash flow from investing activities:		
Proceeds from sales of available-for-sale securities	-	1,667
Proceeds from maturities and calls of available-for-sale securities	9,889	5,591
Proceeds from maturities and calls of held to maturity securities	9,454	2,320
Net proceeds from the sale of other real estate	-	329
Improvements to other real estate owned	(20)	-
Purchases of available-for-sale securities	(3,056)	(2,248)
Purchases of held to maturity securities	(16,715)	(9,606)
Net increase in loans	(10,789)	(6,218)
(Purchase) of bank-owned life insurance	(670)	-
Proceeds from bank-owned life insurance death benefit claim	1,203	-
Purchases of bank premises and equipment	(154)	(204)
Net cash used in investing activities	(10,858)	(8,369)
Cash flow from financing activities:		
Net increase in demand deposits and savings accounts	10,297	10,276
Net decrease in time deposits	(526)	(3,016)
Net increase (decrease) in securities sold under repurchase agreements	(441)	360
Cash dividends paid	(814)	(758)
Net cash provided by financing activities	8,516	6,862
Net increase (decrease) in cash and cash equivalents	(399)	667
Cash and cash equivalents, beginning of year	7,507	6,840
Cash and cash equivalents, end of year	$ 7,108	$ 7,507

		2016		2015
Supplemental disclosure of cash flow information				
Interest paid during the period	$	925	$	1,020
Federal income tax paid during the period	$	586	$	422
Supplemental schedule of noncash investing and financing activities				
Transfers from loans to other real estate owned	$	377	$	-
Unrealized gains (losses) on available-for-sale securities, net of an income tax benefit of $(180) and $(75) in 2016 and 2015, respectively	$	(350)	$	(146)
Unrecognized net actuarial (loss) in defined benefit plan, net of an income tax benefit of $(44) and $(10) in 2016 and 2015, respectively	$	(85)	$	(20)

Note 1 - Summary of significant accounting policies

The accounting and reporting policies of The Farmers Bank of Appomattox and its wholly owned subsidiary, Farmers Bank Financial Services, Inc., conform to accounting principles generally accepted in the United States of America ("GAAP") and general practices within the banking industry. The following is a summary of the more significant accounting policies:

Consolidation

The consolidated financial statements include the accounts of The Farmers Bank of Appomattox and its wholly owned subsidiary (collectively, "the Bank"). The wholly owned subsidiary, Farmers Bank Financial Services, Inc., is utilized to account for the Bank's investment in two insurance companies. All significant intercompany balances and transactions have been eliminated in the consolidation.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the consolidated balance sheets and income and expenses for each year. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to determination of the allowance for loan losses, valuation of other real estate owned and the fair value of investment securities.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold.

Securities

The Bank classifies its securities in two categories: (1) debt securities that the Bank has the positive intent and ability to hold to maturity are classified as "held to maturity securities" and reported at amortized cost. Amortization of premiums and accretion of discounts are adjusted on a basis which approximates the level yield method; and (2) debt and equity securities not classified as held to maturity securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses excluded from net income and reported in a separate component of stockholders' equity.

Gains or losses on disposition of securities are based on the net proceeds and adjusted carrying values of the securities matured, called or sold, using the specific identification method on a trade date basis. A decline in the market value of any available-for-sale or held to maturity security below cost that is deemed other than temporary is charged to net income, resulting in the establishment of a new cost basis for the security.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell or it is more likely than not it will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings.

Note 1 - Summary of significant accounting policies (continued)

Securities

For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement, and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Loans and allowance for loan losses

Loans are stated at the amount of unpaid principal, reduced by unearned income and fees on loans and an allowance for loan losses. The allowance for loan losses is a valuation allowance consisting of the cumulative effect of the provision for loan losses, plus any amounts recovered on loans previously charged off, minus loans charged off. The provision for loan losses is charged to expense. Loans are charged against the allowance for loan losses when management believes the collectability of the principal is unlikely.

Modifications to a borrower's debt agreement are considered troubled debt restructurings ("restructurings") if a concession is granted for economic or legal reasons related to a borrower's financial difficulties that otherwise would not be considered. Restructurings are undertaken in order to improve the likelihood of recovery on the loan and may take the form of modifications made with the stated interest rate lower than the current market rate for new debt with similar risk; modifications to the terms and conditions of the loan that fall outside of normal underwriting policies and procedures; or a combination of these modifications. Restructurings can involve loans remaining in nonaccrual status, moving to nonaccrual status, or continuing in accruing status, depending on the individual facts and circumstances of the borrower.

Loans are considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate or at the fair value of the collateral less the estimated selling costs, if the loan is collateral dependent. Larger groups of homogeneous loans such as real estate mortgage loans, individual consumer loans and home equity loans are evaluated collectively for impairment. Impairment losses are recorded as a charge to the allowance for loan losses.

The allowance for loan losses is an amount management believes will be adequate to absorb probable losses inherent in the loan portfolio. Management determines the adequacy of the allowance based upon reviews of individual credits, delinquencies, current economic conditions, the risk characteristics of the various categories of loans, recent loan loss experience and other pertinent factors. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. It is reasonably possible that management's estimate of loan losses and the related allowance may change materially in the near term. However, the amount of that change cannot be estimated. Various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance for loan losses based on their judgments about information available at the time of their examinations.

Note 1 - Summary of significant accounting policies (continued)

Loans and allowance for loan losses

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of their contractual due date. Loans are generally placed in non-accrual status if they are 90 or more days past due unless they are in the process of collection. Interest related to non-accrual loans is recognized on the cash basis. Loans in non-accrual status are generally the collectible portion of bankrupt accounts. Loans are generally charged off when the collection of principal and interest is 90 days or more past due and the loan is considered uncollectible.

Loan origination fees and the corresponding loan origination costs are deferred, and the net amount is amortized over the contractual life of the related loans as an adjustment of yield.

Bank premises and equipment

Land is carried at cost, while bank premises and equipment are stated at cost, net of accumulated depreciation. Depreciation on bank premises and equipment is charged to expense over the estimated useful lives of the assets, principally on the straight-line method. The cost of assets retired and sold and the related accumulated depreciation are eliminated from the accounts, and the resulting gains or losses are included in determining net income. Expenditures for maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized.

Other Real Estate Owned

Other real estate owned consists of properties acquired through foreclosure sales or deed in lieu of foreclosure. At the time of the foreclosure, the properties are recorded at the fair value less estimated costs to sell the property, establishing a new cost basis. Subsequently these properties are carried at the lower of cost or fair value less the estimated costs to sell the property. Losses from the acquisition of property in full or partial satisfaction of loans are charged against the allowance for loan losses. Subsequent write-downs, if any, are charged to expense. Gains and losses on the sales of foreclosed properties are included in determining net income in the year of the sale.

Defined benefit pension plan

The Bank maintains a noncontributory defined benefit pension plan covering substantially all of its employees. The overfunded or underfunded status of the pension plan is recognized as an asset or liability in the statement of financial position, and changes in the funded status are recognized in comprehensive income. The net periodic pension expense includes a service cost component, interest on the projected benefit obligation, a component reflecting the actual return on plan assets, and the effect of deferring and amortizing certain actuarial gains and losses. The Bank's normal funding policy is to contribute to the pension plan amounts necessary to satisfy the Internal Revenue Service's funding standards and to the extent that they are deductible for federal income tax purposes.

Note 1 - Summary of significant accounting policies (continued)

Bank-owned life insurance

The Bank has purchased life insurance on key employees. The insurance is recorded at the cash surrender value on the consolidated balance sheet. Income generated from the policies is recorded as non-interest income.

Advertising

The Bank expenses advertising costs as incurred. These costs totaled $57 and $29 in 2016 and 2015, respectively.

Income taxes

Income taxes are recorded using the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in net income in the period that includes the enactment date.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Earnings per share

Basic and diluted earnings per share is computed based on the weighted-average number of shares outstanding during each year. The weighted-average number of common shares outstanding was 1,083,660 for 2016 and 2015. The Bank has no potentially dilutive common shares.

Equity Method Investment

During the year ended December 31, 2015, the Bank elected to adopt the equity method of accounting for two investments in limited liability corporations that had previously been accounted for as cost method investments. The Bank determined that it had the ability to exercise significant influence over the investees, as the Bank has representation on both limited liability corporations' board of directors. In conjunction with the change in accounting principle, the Bank reported a $200 thousand gain on the investment in noninterest income for the year ended December 31, 2015.

Note 1 - Summary of significant accounting policies (continued)

Comprehensive Income

Accounting Standards Codification ("ASC") 220-10, *Comprehensive Income*, requires the Bank to classify items of "Other Comprehensive Income" (such as net unrealized gains (losses) on available-for-sale securities) by their nature in a financial statement and present the accumulated balance of other comprehensive income separately from retained earnings and surplus in the equity section of a statement of financial position. The Bank's other comprehensive income consists of the change in the net unrealized gains (losses) on securities available-for-sale, net of income taxes, and the change in the funded status of the Bank's defined benefit pension plan, net of income taxes.

Fair Value Measurements

ASC Topic 820, "Fair Value Measurements and Disclosures," defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. Please reference Notes 14 and 15 addressing fair value measurements. In general, fair values of financial instruments are based on quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use as inputs observable market-based parameters. Any such valuation adjustments are applied consistently over time.

Reclassifications

Certain immaterial reclassifications have been made to prior period balances to conform to the current year presentations. Reclassifications had no impact on prior year net income or stockholders' equity.

Recent Accounting Pronouncements

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This update is intended to provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management is required under the new guidance to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued when preparing financial statements for each interim and annual reporting period. If conditions or events are identified, the ASU specifies the process that must be followed by management and also clarifies the timing and content of going concern footnote disclosures in order to reduce diversity in practice. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2016. Early adoption is permitted. The Bank does not expect the adoption of ASU-2014-15 to have a material impact on its consolidated financial statements.

Note 1 - Summary of significant accounting policies (continued)

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments in ASU 2016-01, among other things: 1) Require equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. 2) Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. 3) Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables). 4) Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Bank is currently assessing the impact that ASU 2016-01 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Bank does not expect ASU 2016-02 to have an impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, "Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting." The amendments in this ASU eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. In addition, the amendments in this ASU require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Early adoption is permitted. The Bank does not expect the adoption of ASU 2016-07 to have a material impact on its consolidated financial statements.

Note 1 - Summary of significant accounting policies (continued)

During June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments in this ASU, among other things, require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better determine their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments in this ASU are effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For public companies that are not SEC filers, the amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Bank is currently assessing the impact that ASU 2016-13 will have on its consolidated financial statements.

During August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments should be applied using a retrospective transition method to each period presented. If retrospective application is impractical for some of the issues addressed by the update, the amendments for those issues would be applied prospectively as of the earliest date practicable. Early adoption is permitted, including adoption in an interim period. The Bank does not expect the adoption of ASU 2016-15 to have a material impact on its consolidated financial statements.

Note 2 - Restrictions on cash

To comply with Federal Reserve regulations, the Bank is required to maintain certain average cash reserve balances. The daily average cash reserve requirements were approximately $1,974 and $1,799 for the specified review weeks in December 2016 and 2015, respectively.

THE FARMERS BANK OF APPOMATTOX AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2016 and 2015
(In thousands, except share and per-share data)

Note 3 - Securities

The amortized costs, gross unrealized gains, gross unrealized losses and fair values of securities are as follows:

	December 31, 2016			
	Amortized	Gross Unrealized		Fair
	Costs	Gains	Losses	Values
Available-for-sale				
U.S. Government agencies	$ 7,471	$ 84	$ (34)	$ 7,521
Obligations of states and political subdivisions - nontaxable	21,745	301	(77)	21,969
Obligations of states and political subdivisions - taxable	12,676	508	-	13,184
Corporate	9,372	101	(46)	9,427
	$ 51,264	$ 994	$ (157)	$ 52,101
Held to maturity				
U.S. Government agencies	$ 9,003	$ 37	$ (211)	$ 8,829
Obligations of states and political subdivisions - nontaxable	12,678	133	(437)	12,374
Obligations of states and political subdivisions - taxable	3,941	143	(8)	4,076
	$ 25,622	$ 313	$ (656)	$ 25,279

	December 31, 2015			
	Amortized	Gross Unrealized		Fair
	Costs	Gains	Losses	Values
Available-for-sale				
U.S. Government agencies	$ 11,970	$ 164	$ (42)	$ 12,092
Obligations of states and political subdivisions - nontaxable	22,392	576	(120)	22,848
Obligations of states and political subdivisions - taxable	13,236	714	-	13,950
Corporate	7,891	138	(67)	7,962
Corporate certificates of deposit	2,739	4	-	2,743
	$ 58,228	$ 1,596	$ (229)	$ 59,595
Held to maturity				
U.S. Government agencies	$ 5,008	$ 66	$ (35)	$ 5,039
Obligations of states and political subdivisions - nontaxable	9,483	261	(11)	9,733
Obligations of states and political subdivisions - taxable	3,956	241	(11)	4,186
	$ 18,447	$ 568	$ (57)	$ 18,958

(In thousands, except share and per-share data)

Note 3 - Securities (continued)

The amortized costs and fair values of securities at December 31, 2016, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held to Maturity	
	Amortized Cost	Fair Values	Amortized Cost	Fair Values
Due in one year or less	$ 3,757	$ 3,794	$ 3,295	$ 3,343
Due after one year through five years	22,372	22,887	3,141	3,257
Due after five years through ten years	11,842	12,015	9,737	9,617
Due after ten years	13,293	13,405	9,449	9,062
	$ 51,264	$ 52,101	$ 25,622	$ 25,279

The amortized costs of securities pledged to collateralize public deposits and securities sold under repurchase agreements and for other purposes as required or permitted by law were approximately $10,158 and $8,808 (fair value of $10,263 and $9,062) at December 31, 2016 and 2015, respectively.

During 2016 and 2015, the Bank had called and matured securities with amortized costs totaling $19,240 and $7,896, respectively. Gross realized gains on the called and matured securities were $103 and $17, respectively, while gross realized losses were $0 and $2, respectively. During 2015, the Bank sold available-for-sale securities with amortized costs totaling $1,639. Gross realized gains on these sales were $28, while there were no gross realized losses on these sales. No securities were sold in 2016.

The following table shows the gross unrealized losses and fair value of the Bank's investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2016 and 2015:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2016:						
U.S. Government agencies	$ 9,747	$ (245)	$ -	$ -	$ 9,747	$ (245)
Obligations of state and political subdivisions	13,852	(522)	-	-	13,852	(522)
Corporate	3,703	(46)	-	-	3,703	(46)
Total	$ 27,302	$ (813)	$ -	$ -	$ 27,302	$ (813)

(In thousands, except share and per-share data)

Note 3 - Securities (continued)

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2015:						
U.S. Government agencies	$ 7,936	$ (52)	$ 1,575	$ (25)	$ 9,511	$ (77)
Obligations of state and political subdivisions	2,477	(23)	2,104	(119)	4,581	(142)
Corporate	3,702	(67)	-	-	3,702	(67)
Total	$ 14,115	$ (142)	$ 3,679	$ (144)	$ 17,794	$ (286)

As of December 31, 2016 and 2015, the Bank held $27,302 and $17,794, respectively, in securities with unrealized losses. These unrealized losses are all related to the change in market interest rates and not to the credit quality of the issuers. When analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. As management has the ability and intent to hold debt securities for the foreseeable future, no declines are deemed to be other-than-temporary.

Note 4 - Loans and allowance for loan losses

A summary of loans, net is as follows:

	December 31	
	2016	2015
Commercial loans	$ 10,538	$ 10,104
Real estate construction loans	6,248	6,364
Real estate mortgage loans	89,914	87,318
Consumer loans	30,910	23,601
Total loans, gross	137,610	127,387
Less unearned income and fees	(205)	(207)
Loans, net of unearned income and fees	137,405	127,180
Less allowance for loan losses	(734)	(621)
Loans, net	$ 136,671	$ 126,559

(In thousands, except share and per-share data)

Note 4 - Loans and allowance for loan losses

Following is a breakdown of real estate mortgage loans:

	December 31	
Real estate mortgage loans:	2016	2015
Commercial mortgage loans	$ 20,618	$ 21,301
1 – 4 family residential mortgages	52,384	49,590
Home equity lines of credit	15,057	14,288
Other mortgages	1,855	2,139
Total real estate mortgage loans	$ 89,914	$ 87,318

Loan origination / Risk management. The Bank has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions. The primary categories of loans originated by the Bank are real estate mortgage loans, real estate construction and land development loans, commercial loans and consumer loans.

Real estate mortgage loans are primarily underwritten as cash flow loans and secondarily as loans secured by real estate. Commercial real estate mortgage loans are subject to underwriting standards and processes similar to commercial loans where evaluation of the borrower's ability to operate profitably and repay their obligations as agreed is critical to the underwriting process. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy.

Real estate construction and land development loans are generally based upon estimates of costs and value associated with the complete project. These loans often involve the disbursement of substantial funds, with repayment dependent on the ultimate success of the project. Management is aware that cost estimates may be inaccurate; thus, physical inspections of the property during the construction phase to assess whether the estimated percentage of completeness is in line with the requested loan advance are critical to the loan management process. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property, or some other interim loan commitment provided while permanent financing is being obtained. These loans are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of the property, general economic conditions, and the availability of permanent financing.

(In thousands, except share and per-share data)

Note 4 - Loans and allowance for loan losses (continued)

Residential real estate mortgage loans are primarily underwritten based on an assessment of the borrower's credit history and estimated ability to repay the mortgage loan based on a comparison of the borrower's verified income and current obligations, including the requested loan. The value of the property securing the loan is generally determined by an independent real estate appraisal. The Bank generally lends up to 80% of the value of the property, thus mitigating the risk associated with these loans. Home equity loans are also underwritten utilizing a maximum loan-to-value percentage of 80%.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Once it is determined that the borrower's management possesses sound ethics and solid business acumen, the Bank's management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Management is aware that the cash flows of the borrower may not match projections and collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as inventory or equipment and may incorporate a personal guarantee. Some smaller amount, short-term loans are made on an unsecured basis.

The Bank typically originates consumer loans utilizing an independent, third-party credit bureau report to supplement the underwriting process. Consumer loans are primarily made based on an assessment of the borrower's credit history and the estimated ability to repay the borrower's obligations based on a comparison of the borrower's stated income to existing obligations, including the loan being requested. These loans are generally secured by the asset being purchased, secured by unencumbered assets already owned by the borrower or unsecured. The risk associated with consumer loans is minimized by the relatively small amount of the loans spread among a large number of borrowers.

The Bank maintains an independent loan administration department that reviews all loan documentation for accuracy, completeness, and compliance with Bank policies and procedures. Results of these reviews are presented to management. The loan administration process complements and reinforces the risk identification and assessment decisions made by lenders.

In the ordinary course of business, the Bank has granted loans to certain directors, executive officers, and their affiliates (collectively referred to as "related parties"). These loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other unaffiliated persons and do not involve more than normal risk of collectability. Activity in related party loans in 2016 and 2015 is presented in the following table:

	2016	2015
Balance of related party loans, January 1	$ 987	$ 384
Principal additions	710	689
Principal reductions	(209)	(86)
Balance of related party loans, December 31	$ 1,488	$ 987

(In thousands, except share and per-share data)

Note 4 - Loans and allowance for loan losses (continued)

Non-accrual loans, segregated by type of loan, as of December 31, 2016 and 2015, were as follows:

	2016	2015
1-4 family residential real estate mortgages	$ 54	$ 116
Home equity lines of credit	22	-
Real estate construction loans	-	13
Commercial loans	50	-
Consumer loans	218	292
Total non-accrual loans	$ 344	$ 421

Had non-accrual loans performed in accordance with their original contract terms, the Bank would have recognized additional interest income, net of income tax, of approximately $31 in 2016 and $24 in 2015.

An age analysis of past due loans, segregated by type of loan, as of December 31, 2016 and 2015 is as follows:

	Loans 30-89 Days Past Due	Loans 90 or more Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due
December 31, 2016:						
Real estate mortgage loans:						
Commercial mortgages	$ 267	$ -	$ 267	$ 20,288	$ 20,555	$ -
1-4 family res. mortgages	1,864	522	2,386	49,740	52,126	468
Home equity lines of credit	100	22	122	14,945	15,067	-
Other mortgages	39	-	39	1,814	1,853	-
Real estate construction loans	111	250	361	5,869	6,230	250
Commercial loans	97	82	179	10,368	10,547	32
Consumer loans	2,035	454	2,489	28,538	31,027	236
Total	$ 4,513	$ 1,330	$ 5,843	$ 131,562	$ 137,405	$ 986
December 31, 2015:						
Real estate mortgage loans:						
Commercial mortgages	$ 96	$ -	$ 96	$ 21,138	$ 21,234	$ -
1-4 family res. mortgages	1,519	116	1,635	47,719	49,354	-
Home equity lines of credit	49	-	49	14,245	14,294	-
Other mortgages	-	-	-	2,138	2,138	-
Real estate construction loans	-	13	13	6,333	6,346	-
Commercial loans	138	-	138	9,976	10,114	-
Consumer loans	1,465	294	1,759	21,941	23,700	2
Total	$ 3,267	$ 423	$ 3,690	$ 123,490	$ 127,180	$ 2

(In thousands, except share and per-share data)

Note 4 - Loans and allowance for loan losses (continued)

Loans are considered impaired when, based on current information and events, it is probable the Bank will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's effective rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

The following table provides a breakdown of the Bank's impaired loans by loan type and recorded investment amounts as of December 31, 2016 and 2015. The Bank received interest payments totaling $85 and $76 on these loans during 2016 and 2015, respectively.

	Impaired Loans with no Allowance	Impaired Loans with Allowance	Total Impaired Loans	Related Allowance	Average Impaired Loans
December 31, 2016:					
Real estate mortgage loans:					
Commercial mortgages	$ 54	$ 212	$ 266	$ 34	$ 286
1-4 family residential mortgages	1,184	40	1,224	5	1,479
Home equity lines of credit	28	-	28	-	100
Other mortgages	-	-	-	-	-
Real estate construction loans	221	-	221	-	139
Commercial loans	160	-	160	-	99
Consumer loans	211	14	225	4	237
Total	$ 1,858	$ 266	$ 2,124	$ 43	$ 2,340
December 31, 2015:					
Real estate mortgage loans:					
Commercial mortgages	$ 81	$ 224	$ 305	$ 41	$ 159
1-4 family residential mortgages	1,524	-	1,640	-	1,200
Home equity lines of credit	63	58	121	12	119
Other mortgages	-	-	-	-	8
Real estate construction loans	114	-	127	-	88
Commercial loans	131	-	131	-	157
Consumer loans	235	43	572	13	234
Total	$ 2,148	$ 325	$ 2,896	$ 66	$ 1,964

Note 4 - Loans and allowance for loan losses (continued)

Credit Quality Indicators. As part of the ongoing monitoring of the credit quality of the Bank's loan portfolio, management reviews certain credit quality indicators including (i) commercial loans with an outstanding balance of $200 or greater; (ii) borrowers with outstanding loan balances totaling $500 or greater; (iii) loans which are past due more than 30 days; (iv) loan charge-offs and recoveries; (v) non-accrual loans and (vi) the general economic conditions in the Bank's market and surrounding areas. Loans with a total outstanding balance of $500 or more and commercial loans with a balance of $200 or greater are reviewed quarterly to determine whether the loans should be classified. Management reviews all loans which are past due more than 30 days and two or more payments on a monthly basis. These loans are discussed with the Board of Directors at its monthly meeting. Loan charge-offs and recoveries and non-accrual loans are also reported to the Board of Directors on a monthly basis. The local general economic conditions are detailed in a written report presented to the Board of Directors on a quarterly basis. This report is also included in the Bank's quarterly classified loan report. Management utilizes sources such as the local newspapers; local, state and national economic statistics (such as unemployment statistics); and other internet articles to prepare this report.

The Bank utilizes a risk rating matrix to assign a risk grade to each of its loans. A description of the general characteristics of the risk grades is as follows:

Excellent / Satisfactory – These loans range from having minimal to acceptable credit risk.

Watch – These loans have acceptable credit risk but are beginning to develop potential weaknesses that may be temporary in nature but must be watched.

Other Assets Especially Mentioned ("OAEM") – These loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan at some future date.

Substandard – These loans are inadequately protected by the net worth or paying capacity of the borrower, and repayment may become dependent on liquidation of the underlying collateral. These loans have well-defined weaknesses, with the Bank likely sustaining a loss if the deficiencies are not corrected.

Doubtful – These loans have all of the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of the currently existing facts, conditions and values, highly questionable and improbable.

Loss – These loans are in a non-accrual status and in the process of collateral liquidation.

(In thousands, except share and per-share data)

Note 4 - Loans and allowance for loan losses (continued)

The following table provides a breakdown of the Bank's loans by risk grade as of December 31, 2016 and 2015.

	Real estate mortgage loans	Real estate construction loans	Commercial loans	Consumer loans	Total
December 31, 2016					
Excellent / Satisfactory	$ 82,512	$ 5,869	$ 10,247	$ 29,704	$ 128,332
Watch	1,708	-	-	9	1,717
OAEM	618	-	25	-	643
Substandard	4,510	361	275	1,314	6,460
Doubtful	253	-	-	-	253
Loss	-	-	-	-	-
Total	$ 89,601	$ 6,230	$ 10,547	$ 31,027	$ 137,405
December 31, 2015					
Excellent / Satisfactory	$ 80,850	$ 6,023	$ 9,892	$ 22,686	$ 119,451
Watch	335	85	-	1	421
OAEM	1,336	-	60	4	1,400
Substandard	4,499	238	162	1,009	5,908
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	$ 87,020	$ 6,346	$ 10,114	$ 23,700	$ 127,180

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses inherent within the existing portfolio of loans. The Bank's allowance for loan loss methodology includes allowance allocations calculated in accordance with ASC Topic 310, "*Receivables*" and allowance allocations calculated in accordance with ASC Topic 450, "*Contingencies*." Accordingly, the methodology is based on historical loss experience by type of credit, specific homogeneous risk pools and specific loss allocations with adjustments for current events and conditions. The Bank's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. The provision for loan losses reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and charge-offs and recoveries, among other factors. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond management's control, including, among other things, the performance of the Bank's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The Bank's allowance for loan losses consists of three elements: (i) specific valuation allowances determined in accordance with ASC Topic 310 based on probable losses on specific loans; (ii) historical valuation allowances determined in accordance with ASC Topic 450 based on historical loan loss experience for similar loans with similar characteristics and trends, adjusted, as necessary, to reflect the impact of current conditions; and (iii) general valuation allowances determined in accordance with ASC Topic 450 based on general economic conditions and other qualitative risk factors both internal and external to the Bank.

Note 4 - Loans and allowance for loan losses (continued)

The allowances for loan losses on specific loans are based on a regular analysis and evaluation of the specific loans. On a quarterly basis, borrowers with outstanding loan balances totaling $500 or greater, along with commercial and industrial loans and commercial real estate loans with a balance of $200 or greater, are evaluated. Certain of these loans with potential problems are given an internal classification which reflects management's assessment of the borrower's ability to repay the loan, the estimated value of the underlying collateral and the economic environment and industry in which the borrower operates. The regular analysis and evaluation of problem loans is performed by the loan officers and independently reviewed and approved by management. Generally specific allowances are based on the difference between the estimated value of the underlying collateral and the balance of the loan if the loan is deemed collateral dependent. The specific allowances are determined by the Chief Executive Officer.

The Bank also determines specific valuation allowances for certain past due loans and non-accrual loans. Estimated loss ratios are applied to the balances of these loans collectively to determine the amount of the allowance. Loans past due 60 or more days are grouped in pools of similar loans with similar characteristics which currently include consumer, commercial and industrial and real estate loans. The estimated loss ratio is applied to each pool of past due loans less any loans in the pool for which a specific allowance valuation has already been determined. Likewise, non-accrual loans are grouped into pools of secured and unsecured loans, from which non-accrual loans with specific valuation allowances are subtracted prior to application of the historical loss ratios.

Historical valuation allowances are calculated based on the historical loss experience of specific types of loans. Management calculates historical loss ratios for pools of similar loans with similar characteristics based on the proportion of net charged-off loans to the total populations of loans in the pool. The historical loss ratios are updated quarterly based on the charge-off loan totals for the most recent twelve quarters. The historical valuation allowance is established for each pool of similar loans based on the product of the historical loss ratio and the total dollar amount of loans in the pool less those loans in the pool for which a specific valuation allowance has been determined. The Bank's pools of similar loans currently include consumer, commercial and industrial, real estate and real estate construction loans.

A general valuation allowance based on general economic conditions is also calculated. An economic analysis is performed by the Chief Financial Officer based on such factors as the Bank's market area industries; local, state and national unemployment statistics; general local economic conditions; and local real estate market conditions. The Bank has identified five categories of economic conditions ranging from "very good economic conditions" to "major problematic economic conditions," and a loss rate is estimated for each category. The economic allowance is calculated by applying the estimated loss rate to the total loan population less loans for which a specific valuation has been determined.

(In thousands, except share and per-share data)

Note 4 - Loans and allowance for loan losses (continued)

The following table details activity in the allowance for loan losses by loan category for the years ended December 31, 2016 and 2015. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Real estate mortgage loans	Real estate construction loans	Commercial loans	Consumer loans	Total
Balance, December 31, 2015	$ 263	$ 23	$ 25	$ 310	$ 621
Charged-off loans	(57)	-	(2)	(219)	(278)
Loan recoveries	40	-	-	51	91
Provision for loan losses	7	(11)	20	284	300
Balance, December 31, 2016	$ 253	$ 12	$ 43	$ 426	$ 734
Allowance for loan losses allocated to:					
Loans individually evaluated for Impairment	$ 39	$ -	$ -	$ 4	$ 43
Loans collectively evaluated for Impairment	214	12	43	422	691
Allowance for loan losses, Dec. 31, 2016	$ 253	$ 12	$ 43	$ 426	$ 734

	Real estate mortgage loans	Real estate construction loans	Commercial loans	Consumer loans	Total
Balance, December 31, 2014	$ 295	$ 88	$ 32	$ 276	$ 691
Charged-off loans	-	-	(12)	(185)	(197)
Loan recoveries	4	-	5	42	51
Provision for loan losses	(36)	(65)	-	177	76
Balance, December 31, 2015	$ 263	$ 23	$ 25	$ 310	$ 621
Allowance for loan losses allocated to:					
Loans individually evaluated for Impairment	$ 53	$ -	$ -	$ 13	$ 66
Loans collectively evaluated for Impairment	210	23	25	297	555
Allowance for loan losses, Dec. 31, 2015	$ 263	$ 23	$ 25	$ 310	$ 621

(In thousands, except share and per-share data)

Note 4 - Loans and allowance for loan losses (continued)

The Bank's total loans related to each balance in the allowance for loan losses by loan type and disaggregated on the basis of the Bank's impairment methodology as of December 31, 2016 and 2015 were as follows:

	Real estate mortgage loans	Real estate construction loans	Commercial loans	Consumer loans	Total
December 31, 2016:					
Loans individually evaluated for impairment	$ 1,518	$ 221	$ 160	$ 225	$ 2,124
Loans collectively evaluated for impairment	88,083	6,009	10,387	30,802	135,281
Total loans evaluated for impairment	$ 89,601	$ 6,230	$ 10,547	$ 31,027	$137,405
December 31, 2015:					
Loans individually evaluated for impairment	$ 2,066	$ 127	$ 131	$ 572	$ 2,896
Loans collectively evaluated for impairment	84,954	6,219	9,983	23,128	124,284
Total loans evaluated for impairment	$ 87,020	$ 6,346	$ 10,114	$ 23,700	$127,180

Note 5 – Troubled Debt Restructurings

ASC 310-40-20 defines a troubled debt restructuring as a restructuring of debt where a creditor for economic or legal reasons related to a debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The concession is granted by the creditor in an attempt to protect as much of its investment as possible. The concession either stems from an agreement between the creditor and the debtor or is imposed by law or a court. Troubled debt restructurings include modification of the terms of a debt, such as a reduction of the stated interest rate for the remaining original life of the debt, an extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk, a reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement, or a reduction of accrued interest.

Management reviews all restructured loans that occur during the year for identification as troubled debt restructurings. Management identified as troubled debt restructurings certain loans for which the allowance for loan losses had previously been measured under a general allowance for loan losses methodology (ASC 450-20). Upon identifying the reviewed loans as troubled debt restructurings, management also identified them as impaired under the guidance in ASC 310-10-35.

(In thousands, except share and per-share data)

Note 5 - Troubled Debt Restructurings (continued)

Modification Categories. The Bank offers a variety of modifications to borrowers. The modification categories offered can generally be described in the following categories:

Rate Modification – A modification in which the interest rate is changed.

Term Modification – A modification in which the maturity date, timing of payments, or frequency of payments is changed.

Interest Only Modification – A modification in which the loan is converted to interest only payments for a period of time.

Payment Modification – A modification in which the dollar amount of the payment is changed, other than an interest only modification as described above.

Combination Modification – Any other type of modification, including the use of multiple categories above.

The following tables present troubled debt restructurings as of December 31, 2016 and 2015:

	December 31, 2016			
	Number of Contracts	Accrual Status	Non-Accrual Status	Total Modifications
Real estate mortgage loans:				
Commercial mortgages	1	$ 54	$ -	$ 54
1-4 family residential mortgages	7	524	16	540
Home equity lines of credit	-	-	-	-
Other mortgages	-	-	-	-
Real estate construction loans	-	-	-	-
Commercial loans	-	-	-	-
Consumer loans	23	172	-	172
Total	31	$ 750	$ 16	$ 766

	December 31, 2015			
	Number of Contracts	Accrual Status	Non-Accrual Status	Total Modifications
Real estate mortgage loans:				
Commercial mortgages	1	$ 57	$ -	$ 57
1-4 family residential mortgages	9	591	15	606
Home equity lines of credit	-	-	-	-
Other mortgages	-	-	-	-
Real estate construction loans	-	-	-	-
Commercial loans	1	14	-	14
Consumer loans	25	215	-	215
Total	36	$ 877	$ 15	$ 892

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Note 5 - Troubled Debt Restructurings (continued)

During the years ended December 31, 2016 and 2015, the Bank had 6 and 9 newly restructured loans with pre-modification balances totaling $48 and $162 and post-modification balances totaling $37 and $166, respectively. During the year ended December 31, 2015 2 newly restructured loans with balances totaling $68 defaulted within the first 12 months following modification. There were no such defaults in the year ended December 31, 2016.

Note 6 - Bank premises and equipment

A summary of bank premises and equipment stated at cost, less accumulated depreciation, follows:

	December 31	
	2016	2015
Land	$ 465	$ 465
Buildings and improvements	3,507	3,436
Equipment, furniture and fixtures	2,217	2,134
	6,189	6,035
Less accumulated depreciation	(3,659)	(3,481)
Net bank premises and equipment	$ 2,530	$ 2,554

The bank incurred depreciation expense of $178 and $186 in the years ended December 31, 2016 and 2015, respectively.

Note 7 - Bank-owned life insurance

During 2012, the Bank purchased life insurance on key employees in the face amount of $15,397, and during 2016, additional insurance with a face amount of $2,410 was purchased. Generally accepted accounting standards require that these policies are recorded at the cash surrender value, net of surrender charges and/or early termination charges. As of December 31, 2016 and 2015, the BOLI cash surrender value was $5,916 and $5,549, respectively, resulting in other income of $900 and $163 in 2016 and 2015, respectively. The 2016 other income also included death benefits of $737 resulting from the death of a former bank officer. The increases in the cash surrender values resulted in an annualized net yield of 2.82% (4.70% on a pre-tax equivalent basis) in 2016 and 2.88% (4.80% on a pre-tax equivalent basis) in 2015.

(In thousands, except share and per-share data)

Note 8 - Pension plans

Effective January 1, 2012, the Bank amended its defined benefit pension plan (the "Plan"), converting it to a cash-balance pension plan whereby benefits earned by participants under the plan through December 31, 2011 were converted to an opening account balance for each participant. The opening balance was calculated based on IRS mandated assumptions for lump sum payouts. Eligibility under the cash-balance plan is the same as the previous defined benefit pension plan, except the vesting period was shortened from five years to three years. Benefits under the cash-balance plan are computed based on graduated earnings rates determined by employees' years of credited service as of December 31, 2011, plus interest at rates pre-set by management and the cash-balance plan administrators. As with the previous defined benefit pension plan, assets are invested in a balanced fund, fixed income fund and equity fund administered by the Virginia Bankers Association. As of December 31, 2011, no new entrants will be allowed into the Plan.

The Bank complies with ASC 715, *Compensation – Retirement Benefits,* which requires management to present in the statement of financial position the funded status of the plan as an asset (overfunded) or liability (underfunded) with any unrecognized actuarial gain (loss), prior service costs, or transition amount from the adoption of ASC 715, shown as an adjustment to the accumulated other comprehensive income.

Because plan assets are held in a qualified trust, anticipated returns are not reduced for taxes. Further, solely for this purpose, the plan is assumed to continue in force and not terminate during the period during which assets are invested. However, consideration is given to the potential impact of current and future investment policy, cash flow into and out of the trust, and expenses (both investment and non-investment) typically paid from plan assets (to the extent such expenses are not explicitly estimated within periodic cost).

Asset Allocation

The plan's weighted-average asset allocations at December 31, 2016 and 2015, by asset category, are as follows:

	December 31,	
	2016	2015
Mutual Funds - Fixed Income	60%	60%
Mutual Funds - Equity	40%	40%
Total	100%	100%

The trust fund is sufficiently diversified to maintain a reasonable level of risk without imprudently sacrificing return, with a targeted asset allocation of 50% fixed income and 50% equities. The Investment Manager selects investment fund managers with demonstrated experience and expertise, and funds with demonstrated historical performance, for the implementation of the Plan's investment strategy. The Investment Manager will consider both actively and passively managed investment strategies and will allocate funds across the asset classes to develop an efficient investment structure.

It is the responsibility of the Trustee to administer the investments of the trust within reasonable costs, being careful to avoid sacrificing quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to the trust.

(In thousands, except share and per-share data)

Note 8 - Pension plans (continued)

The investment strategy for plan assets is to provide allocation models with varying degrees of investment return and risk consistent with sound funding objectives and participant demographics utilizing various types of assets such as large cap stocks, S&P 500 index fund, small and mid-cap stocks, cash equivalents and short-term bonds. The performance goal for the investments of the plan is to exceed the investment benchmarks over the most recent 3 and 5 year periods while taking less risk than the market.

Plan investments are stated at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The following table presents the fair value of the net assets, by asset category, at December 31, 2016 and 2015:

Description of Assets:	2016	2015
Mutual Funds / Equity	$ 1,918	$ 1,778
Mutual Funds / Fixed Income	2,910	2,616
Total plan assets	$ 4,828	$ 4,394

All of the plan's assets are considered to be Level 1 assets, within the fair value hierarchy, as of December 31, 2016 and 2015. Level 1 assets are those with quoted prices in active markets for identical assets or liabilities.

Other disclosures for the year ended December 31, 2016 and 2015:

Change in benefit obligation

	2016	2015
Projected benefit obligation – beginning of year	$ 4,253	$ 4,148
Service cost	131	135
Interest cost	168	156
Actuarial (gain) / loss	177	(142)
Benefits paid	(293)	(44)
Projected benefit obligation – end of year	$ 4,436	$ 4,253

Change in plan assets

	2016	2015
Fair value of assets – beginning of the year	$ 4,394	$ 4,048
Actual return on plan assets	227	(10)
Employer contribution	500	400
Benefits paid	(293)	(44)
Fair value of assets – end of the year	$ 4,828	$ 4,394
Deferred asset loss	$ 59	$ 275

(In thousands, except share and per-share data)

Note 8 - Pension plans (continued)

Funded status

	2016	2015
Projected benefit obligation – end of year	$ (4,436)	$ (4,253)
Fair value of assets – end of year	4,828	4,394
Funded status at the end of the year	$ 392	$ 141

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	2016	2015
Net (gain) loss	$ 54	$ (45)
Amortization of prior service cost	75	75
Total amount recognized	$ 129	$ 30

The following tables set forth the disclosures regarding the defined benefit plan:

Components of net periodic benefit costs

	2016	2015
Service cost	$ 131	$ 135
Interest cost	168	156
Expected return on plan assets	(286)	(265)
Net amortization of prior service cost	(75)	(75)
Recognized net actuarial loss	182	177
Net periodic benefit cost	$ 120	$ 128

(In thousands, except share and per-share data)

Note 8 - Pension plans (continued)

The end-of-year weighted-average assumptions are:

	2016	2015
Discount rate used for net periodic pension cost	4.25%	4.00%
Discount rate used for disclosure	4.00%	4.25%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	3.00%	3.00%
Rate of compensation increase for net periodic pension cost	3.00%	3.00%
Expected future interest crediting rate	3.00%	3.00%

Additional disclosure information

Accumulated benefit obligation, December 31, 2016	$ 4,436
Vested benefit obligation, December 31, 2016	$ 4,233

The projected benefit payments for the next ten years are as follows:

Year	Amount
2017	$ 755
2018	112
2019	501
2020	316
2021	296
2022 – 2026	2,393

401(k) plan

In addition to the defined benefit plan described above, the Bank also sponsors a 401(k) defined contribution plan. The Bank makes a matching contribution to the plan in the amount of 100% of the first 3% and 50% of the next 3% of the elective contributions made by the participants. Participants have the right to contribute up to the maximum allowed under section 401(g) of the Internal Revenue Code.

Effective January 1, 2012, the Bank made supplemental contributions to the 401(k) accounts of salaried employees with a minimum of 14 years of credited service as of December 31, 2011. These supplemental contributions were made to help compensate for the projected loss of pension benefits for these employees due to the transition to the cash-balance defined benefit plan. The supplemental contribution will be paid at the end of each year from 2012 through 2018 in which the employee remains in a salaried status with a minimum of 1,000 hours of credited service for that year.

(In thousands, except share and per-share data)

Note 8 – Pension plans (continued)

The Bank also made supplemental contributions to the 401(k) accounts of employees hired January 1, 2012 or later who were not eligible for participation in the cash-balance defined benefit plan. The supplemental contribution was equal to 2.0% of the employee salary and will be paid at the end of each year, beginning December 31, 2012. The Bank's expense for all 401(k) contributions totaled $231 and $210 for 2016 and 2015, respectively.

Note 9 - Income taxes

Income tax expense attributable to income before income tax expense is summarized as follows:

	December 31, 2016	December 31, 2015
Current federal income tax expense	$ 477	$ 490
Deferred federal income tax expense (benefit)	(69)	181
Total	$ 408	$ 671

Income tax expense differed from amounts computed by applying the U.S. Federal income tax rate of 34% to income before income tax expense as a result of the following:

	December 31, 2016	December 31, 2015
Income tax expense at the statutory rate	$ 1,014	$ 985
Increase (reduction) in income tax expense resulting from		
Tax-exempt interest	(386)	(382)
Disallowance of interest expense	9	10
Bank-owned life insurance	(306)	(55)
Other	77	113
Total	$ 408	$ 671

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Note 9 - Income taxes (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31	
	2016	2015
Deferred tax assets		
Loans, due to allowance for loan losses and net unearned fees	$ 139	$ 101
Other real estate, due to valuation allowances	20	20
Pension valuation adjustment	616	572
AMT credit carry forward	132	-
Other	208	150
Total gross deferred tax assets	1,115	843
Deferred tax liabilities		
Bank premises and equipment due to differences in depreciation	115	103
Prepaid pension, due to actual pension contribution in excess of accrual for financial reporting purposes	750	620
Net unrealized gain on available-for-sale securities	285	465
Loan costs	134	117
Total gross deferred tax liabilities	1,284	1,305
Net deferred tax (liability)	$ (169)	$ (462)

The Bank did not recognize any interest or penalties related to income tax during the years ended December 31, 2016 and 2015, and did not accrue interest or penalties as of December 31, 2016 and 2015. The Bank does not have an accrual for uncertain tax positions as of December 31, 2016 and 2015, as deductions taken and benefits accrued are based on widely understood administrative practices and procedures and are based on clear and unambiguous tax law. Tax returns for all years 2013 and thereafter are subject to future examination by tax authorities.

(In thousands, except share and per-share data)

Note 10 - Securities sold under repurchase agreements and time deposits

The Bank offers to its larger commercial customers a cash management service known as securities sold under repurchase agreements. These cash management accounts are administered by the Bank and pay a set interest rate determined by management. These accounts are secured by a pledge of the Bank's investments, which remain under management's control. The Bank had $977 and $1,418 outstanding in cash management accounts as of December 31, 2016 and 2015, respectively. The maximum month-end outstanding balances were $2,893 and $1,929 during 2016 and 2015, respectively, and the average outstanding balances were $2,247 and $1,273 during these periods.

At December 31, 2016, maturities of time deposits are scheduled as follows:

Year Ending	Amount
2017	$ 31,964
2018	13,832
2019	7,059
2020	6,810
2021	9,304
	$ 68,969

The Bank's time deposits include accounts with balances of $250 or more of $10,166 and $8,956 as of December 31, 2016 and 2015, respectively.

In the ordinary course of business, certain directors, executive officers, and their affiliates (collectively referred to as "related parties") of the Bank have maintained deposit accounts with the Bank. These deposits were opened on substantially the same terms, including interest rates for interest-bearing accounts, as those prevailing at the time for comparable transactions with other unaffiliated persons. Balances for these deposits as of December 31, 2016 and 2015 were $2,170 and $1,771, respectively.

The Bank had unused lines of credit with correspondent banks totaling $11,500 at both December 31, 2016 and 2015.

Note 11 - Dividend restrictions and capital requirements

The Bank is subject to certain regulatory restrictions pertaining to the amount of dividends that it may pay. The Federal Reserve restricts, without prior approval, the total dividend payments of a member bank in any calendar year to the bank's net income of that year, as defined, combined with its retained net income of the preceding two calendar years, less any required transfers to surplus. At December 31, 2016, retained earnings which are free of such restrictions amounted to approximately $4,486.

Note 11 - Dividend restrictions and capital requirements (continued)

The Bank is subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 risk-based capital (as defined in the regulations), to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Effective January 1, 2015, the final rule implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) began its phase-in. All requirements of the Basel III rules will be phased in over a multi-year schedule, and fully phased in by January 1, 2019. As part of the new requirements, the Common Equity Tier 1 ratio is calculated and utilized in the assessment of capital for all institutions. Management believes, as of December 31, 2016 and 2015, the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2016, the most recent notification from the Federal Reserve Bank of Richmond categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, common equity Tier 1 risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

(In thousands, except share and per-share data)

Note 11 - Dividend restrictions and capital requirements (continued)

The Bank's actual regulatory capital amounts and ratios are also presented in the table below.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2016						
Total capital (to risk-weighted assets)	$ 30,618	19.5%	$ 13,520	8.625%	$ 15,675	>10.0%
Tier 1 capital (to risk-weighted assets)	$ 29,884	19.1%	$ 10,385	6.625%	$ 12,540	>8.0%
Common equity Tier 1 capital (to risk-weighted assets)	$ 29,884	19.1%	$ 8,033	5.125%	$ 10,189	>6.5%
Tier 1 capital (leverage) (to average assets)	$ 29,884	12.8%	$ 10,816	4.625%	$ 11,693	>5.0%
December 31, 2015						
Total capital (to risk-weighted assets)	$ 28,743	19.7%	$ 11,674	8.0%	$ 14,592	>10.0%
Tier 1 capital (to risk-weighted assets)	$ 28,122	19.3%	$ 8,755	6.0%	$ 11,674	>8.0%
Common equity Tier 1 capital (to risk-weighted assets)	$ 28,122	19.3%	$ 6,566	4.5%	$ 9,489	>6.5%
Tier 1 capital (leverage) (to average assets)	$ 28,122	12.6%	$ 8,907	4.0%	$ 11,134	>5.0%

Note 12 - Noninterest expense - Other operating expenses

Major items included in the other operating expenses component of noninterest expense are as follows:

	2016	2015
Office supplies	$ 92	$ 96
Data processing	629	558
Virginia franchise tax	408	185
Audit fees	131	84
Board expense	98	98
FDIC assessments	106	116
Marketing and advertising costs	57	29
Other	911	904
	$ 2,432	$ 2,070

Note 13 - Financial instruments with off-balance-sheet risk

The Bank is not a party to derivative financial instruments with off-balance-sheet risks such as futures, forwards, swaps and options. The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These instruments may involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheets. The contract amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

Credit risk is defined as the possibility of sustaining a loss because the other party to a financial instrument fails to perform in accordance with the terms of the contract. The Bank's maximum exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of the instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Bank requires collateral or other security to support financial instruments when it is deemed necessary. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty and the Bank's access to the collateral. Types of collateral may include marketable securities, real estate and business equipment.

Financial instruments whose contract amounts represent credit risk are as follows:

	Contract Amounts at December 31	
	2016	2015
Commitments to extend credit	$ 21,000	$ 19,366
Standby letters of credit	$ 417	$ 481

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing standby letters of credit is generally less than that involved in extending loans to customers because the Bank generally holds deposits equal to the commitment. Management does not anticipate any material losses as a result of these transactions.

The Bank's business activity is with customers located in the Counties of Appomattox, Buckingham, Campbell, and Prince Edward, Virginia. Accordingly, operating results are closely correlated with the economic trends within the counties and influenced by the significant industries within the region, including agriculture, timber and logging, and light manufacturing. In addition, the ultimate collectability of the Bank's loan portfolio is susceptible to changes in the market conditions within the region.

Note 14 - Disclosures about fair values of financial instruments

ASC 825, *Financial Instruments*, requires the Bank to disclose estimated fair values of its financial instruments.

The following methods and assumptions were used to estimate the approximate fair value of each class of financial instrument for which it is practical to estimate fair value.

Cash and due from banks and federal funds sold

The carrying amount is a reasonable estimate of fair value due to the short investment duration.

Securities

The fair value of securities, except certain state and municipal instruments, is estimated based on bid prices published in financial newspapers or bid quotations received from securities dealers. The fair value of certain state and municipal securities is not readily available through market sources other than dealer quotations, so fair value estimates are based on quoted market prices of similar instruments, adjusted for differences between the quoted instruments and the instruments being valued.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by two types, namely residential real estate (variable rate) and other loans (predominantly fixed rate consumer and commercial).

The fair value of loans is calculated by discounting scheduled cash flows for loans maturing after one year and through the estimated maturity using the average loan yield for the most recent quarter. The carrying amount of loans maturing within one year approximates their fair value. The estimate of maturity is based on actual loan maturity schedules for all types of loans. Impaired loans, which are considered collateral dependent, are valued based on the approximate fair value of the underlying collateral securing the loan less any estimated selling costs.

Investment in bank-owned life insurance

Fair values of insurance policies owned are based on the insurance contract’s cash surrender value.

Deposits

The fair values of noninterest-bearing demand deposits, interest-bearing demand deposits and savings deposits are equal to their carrying amounts since the amounts are payable on demand. The fair value of fixed maturity time deposits and certificates of deposit is estimated by discounting scheduled cash flows through maturity using the average time deposit yield for the most recent quarter.

Accrued interest receivable and accrued interest payable

The carrying amount of accrued interest receivable on the Bank’s investment securities and loans is assumed to approximate fair value. Likewise, the carrying amount of accrued interest payable on the Bank’s interest-bearing deposits is assumed to approximate fair value.

(In thousands, except share and per-share data)

Note 14 - Disclosures about fair values of financial instruments (continued)

Securities sold under repurchase agreements

The carrying amount is a reasonable estimate of fair value.

Commitments to extend credit and standby letters of credit

The only amounts recorded for commitments to extend credit and standby letters of credit are the fees arising from these unrecognized financial instruments. These fees were minimal at December 31, 2016 and 2015, and as such, the related fair values have not been estimated.

The carrying amounts and approximate fair values of the Bank's financial instruments are summarized as follows:

		Approximate Fair Value by Valuation Hierarchy		
As of December 31, 2016	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and due from banks	$ 4,297	$ 4,297	$ -	$ -
Federal funds sold	2,811	2,811	-	-
Securities				
Available-for-sale	52,101	-	52,101	-
Held to maturity	25,622	-	25,279	-
Loans, net	136,671	-	-	124,997
Accrued interest receivable	1,243	-	1,243	-
Bank-owned life insurance	5,916	-	5,916	-
Total financial assets	$ 228,661	$ 7,108	$ 84,539	$ 124,997
Financial liabilities				
Deposits	$ 202,451	$ -	$ 165,446	$ 36,182
Securities sold under repurchase agreements	977	-	977	-
Accrued interest payable	91	-	91	-
Total financial liabilities	$ 203,519	$ -	$ 166,514	$ 36,182

(In thousands, except share and per-share data)

Note 14 - Disclosures about fair values of financial instruments (continued)

		Approximate Fair Value by Valuation Hierarchy		
As of December 31, 2015	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and due from banks	$ 4,338	$ 4,338	$ -	$ -
Federal funds sold	3,169	3,169	-	-
Securities				
Available-for-sale	59,595	-	59,595	-
Held to maturity	18,447	-	18,958	-
Loans, net	126,559	-	-	117,371
Accrued interest receivable	1,155	-	1,155	-
Bank-owned life insurance	5,549	-	5,549	-
Total financial assets	$ 218,812	$ 7,507	$ 85,257	$ 117,371
Financial liabilities				
Deposits	$ 192,680	$ -	$ 160,543	$ 31,495
Securities sold under repurchase agreements	1,418	-	1,418	-
Accrued interest payable	100	-	100	-
Total financial liabilities	$ 194,198	$ -	$ 162,062	$ 31,495

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Bank's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on-balance-sheet and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets that are not considered financial instruments include bank premises and equipment, and other real estate owned; significant liabilities that are not considered financial instruments are accrued expenses and the deferred income tax liability. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Note 15 - Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value under generally accepted accounting principles (GAAP) and enhances disclosures about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. When measuring fair value, valuation techniques should be appropriate in the circumstances and consistently applied. A hierarchy is used to prioritize valuation inputs into the following three levels to determine fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – observable inputs other than the quoted prices included in Level 1.
- Level 3 – unobservable inputs.

Assets measured at fair value on a recurring basis, including financial instruments for which the Bank has elected the fair value option, are summarized below. The Bank has not elected the fair value option to value liabilities.

Investment Securities Available-for-Sale
Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government-sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Loans
The Bank does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with ASC 310, *Receivables*. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceeds the recorded investments in such loans.

At December 31, 2016, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with ASC 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Bank records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank records the impaired loan as nonrecurring Level 3. Appraised values may be discounted to reflect current market conditions and ultimate collectability. These discounts typically ranged from 0% to 10% for each of the respective periods.

(In thousands, except share and per-share data)

Note 15 - Fair Value Measurements (continued)

Other Real Estate Owned
Real estate acquired primarily through foreclosure is transferred to other real estate owned ("OREO"). The measurement of loss associated with OREO is based on the fair value of the collateral compared to the unpaid loan balance and anticipated costs to sell the property. The value of OREO collateral is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Bank using observable market data (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate is over one year old, then the fair value is considered Level 3. Any fair value adjustments are recorded in the period incurred and expensed against current earnings. Appraised values may be discounted to reflect current market conditions and ultimate collectability. These discounts typically ranged from 0% to 10% for each of the respective periods.

The following table summarizes quantitative disclosures about the fair value measurement for each category of assets carried at fair value as of December 31, 2016 and 2015, on a recurring or nonrecurring basis:

Description	Fair Value of Asset	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Basis:				
December 31, 2016				
Securities, available-for-sale				
U. S. Government agencies	$ 7,521	$ -	$ 7,521	$ -
Municipal obligations - nontaxable	21,969	-	21,969	-
Municipal obligations – taxable	13,184	-	13,184	-
Corporate	9,427	-	9,427	-
Total	$ 52,101	$ -	$ 52,101	$ -
December 31, 2015				
Securities, available-for-sale				
U. S. Government agencies	$ 12,092	$ -	$ 12,092	$ -
Municipal obligations - nontaxable	22,848	-	22,848	-
Municipal obligations – taxable	13,950	-	13,950	-
Corporate	7,962	-	7,962	-
Corporate certificates of deposit	2,743	-	2,743	-
Total	$ 59,595	$ -	$ 59,595	$ -
Non-recurring Basis:				
December 31, 2016				
Impaired loans	$ 223	$ -	$ -	$ 223
Other real estate owned	$ 572	$ -	$ -	$ 572
December 31, 2015				
Impaired loans	$ 259	$ -	$ -	$ 259
Other real estate owned	$ 175	$ -	$ -	$ 175

(In thousands, except share and per-share data)

Note 15 - Fair Value Measurements (continued)

The following table provides additional information about the fair value measurement of assets as of December 31, 2016 which are measured on a Level 3 significant unobservable input basis:

	Fair Value Measurements at December 31, 2016			
Description	Fair Value	Valuation Technique(s)	Unobservable Inputs	Weighted Average Discount
Assets:				
Impaired Loans				
Residential Real Estate	$ 35	Sales comparison approach	Estimation of selling costs	5.0%
Commercial Real Estate	178	Sales comparison approach	Estimation of selling costs	5.0%
Consumer	10	NADA Retail Value of vehicle	Adjustment for condition of the vehicle	10.0%
Total Impaired Loans	$ 223			
Other Real Estate Owned				
Residential vacant land	$ 175	Sales comparison approach	Estimation of selling costs	5.0%
Residential Real Estate	397	Sales comparison approach	Estimation of selling costs	5.0%
Total Other RE Owned	$ 572			

(In thousands, except share and per-share data)

Note 16 - Accumulated Other Comprehensive Income (Loss)

Changes in each component of accumulated other comprehensive income (loss) were as follows:

	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Change in Unfunded Pension Liability	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2014	$ 1,048	$ (1,092)	$ (44)
Unrealized loss on securities available-for-sale, net of deferred tax of $75	(116)		(116)
Reclassification adjustment for gain on sale of securities, net of tax of $15[1]	(30)		(30)
Change in pension plan assets and benefit obligations, net of deferred tax of $15[2]		30	30
Amortization of prior service cost, net of deferred tax of $26[2]		(49)	(49)
Balance at December 31, 2015	$ 902	$ (1,111)	$ (209)
Unrealized loss on securities available-for-sale, net of deferred tax of $145	(282)		(282)
Reclassification adjustment for gain on sale of securities, net of tax of $35[1]	(68)		(68)
Change in pension plan assets and benefit obligations, net of deferred tax of $18[2]		(36)	(36)
Amortization of prior service cost, net of deferred tax of $26[2]		(49)	(49)
Balance at December 31, 2016	$ 552	$ (1,196)	$ (644)

(1) Included on income statement in “Gains on sales, calls and maturities of securities”
(2) Included on income statement in “Salaries and employee benefits”

Note 17 - Subsequent Events

Management has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2016 consolidated financial statements. This evaluation was through March 14, 2017, the date the consolidated financial statements were available to be issued. Management noted that on February 14, 2017, the Board of Directors declared a dividend of $0.50 per share payable March 9, 2017 to shareholders of record as of February 27, 2017.

BOARD OF DIRECTORS

L-R standing: Thomas D. Evans, Jr., R. Kinckle Robinson, John R. Caldwell, Douglas M. Webb, Alfred L. Jones, III, Luther C. Thomas, Benjamin H. Johnson

L-R seated: Alison F. Gobble, Floyd E. Williams, Ronald C. Spiggle, Watkins M. Abbitt, Jr., Laurie S.Harris

EXECUTIVE OFFICERS

L-R: Dawn S. Tolley, Michael F. Ledin, John R. Caldwell, Bruce S. Drinkard, Jane H. Kelly

FARMERS BANK MANAGEMENT

Executive Officers:

John R. Caldwell	President & Chief Executive Officer
Bruce S. Drinkard	Senior Vice President & Chief Lending Officer
Jane H. Kelly	Senior Vice President, Chief Operations Officer, Cashier & Corporate Secretary
Michael F. Ledin	Senior Vice President & Chief Compliance Officer
Dawn S. Tolley	Senior Vice President & Chief Financial Officer

Officers:

Betty G. Craft	Vice President, Branch Administrator & Human Resource Officer
Kenneth A. Shorter	Vice President & Chief Information Technology Officer
Thomas L. Rasey, Jr.	Vice President & Loan Administration Officer
Sandra L. Clapp	Vice President & Accounting Officer II
Brian D. Wilkerson	Vice President & Concord Branch Manager
Stephanie L. Oliver	Vice President & Buckingham Branch Manager
Dianne Rudder	Vice President & Triangle Plaza Branch Manager
Anabelle Rodriguez-Milligan	Vice President & Longwood Village Branch Manager
Kris McFadden	Vice President & Mortgage Loan Officer
Leila A. Paulette	Vice President & Assistant Compliance Officer
Robin B. Harvey	Assistant Vice President & Assistant Operations Officer
Katherine Kraince	Assistant Vice President, Payroll & Benefits Officer
Jane Thomas	Assistant Vice President, Retail Operations Manager, Main
Jessica Hall	Assistant Vice President – Loan Officer II
Lisa Warner	Assistant Vice President & Assistant Branch Manager, Buckingham
Judy Bolt	Bank Officer, Assistant Branch Manager & CSR, Farmville
Christopher Lewis	Bank Officer & Assistant Branch Manager, Concord
Cindy Martin	Bank Officer – Loan Officer, Triangle
Sarah Overstreet	Bank Officer – Loan Officer
Linda Sears	Bank Officer & Loan Support Supervisor
Kelly Smith	Bank Officer, Operations Specialist & Bank Security Officer
Jodi E. Simpson	Bank Officer – Loan Officer
Curtis Hancock	Bank Officer – Information Technology Specialist

EMPLOYEES

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James Bollinger
Robin Branch
Candy Burrell
Ashley Cheatham
Whitney Drew
Dorothy Evans
Penny Franklin
Rachel Franklin
Sue Fulcher
Aubrey Hall, IV
Kaitlyn Hopkins
Joan Jamerson
Michael Lewis
Uwana Litchford
Barbara Moore
Karleigh Moore
Marty Moore
Lacie Page
Gwen Phelps
Sue Ranson
Cassandra Reed
Sonny Smith
Mary Sue Stanley
Tommy Stanley
Mary Staples
Taylor Webster
Samantha Williams
Zach Williams
Lynn Wilmoth

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Michael Inglett
Cindy Mayberry
Keelyn Wheeler
Betty Wingfield

CONCORD BRANCH

Hope Bondurant
Sue Doss
Sarah Glover
Scottie Tyree
Teresa Wilson

BUCKINGHAM BRANCH

Beverly Jo Devore
Kara Kitchen
Sherri Martin
Ellen McGarry
Jackie Murphy

FARMVILLE BRANCH

Rachel Overstreet
Danielle Scruggs
Austin Vaughan
Kasie Wright

Farmers Bank Lending – Knowledgeable & Responsive

Customer Service Representatives – Friendly & Dedicated

2016 HIGHLIGHTS

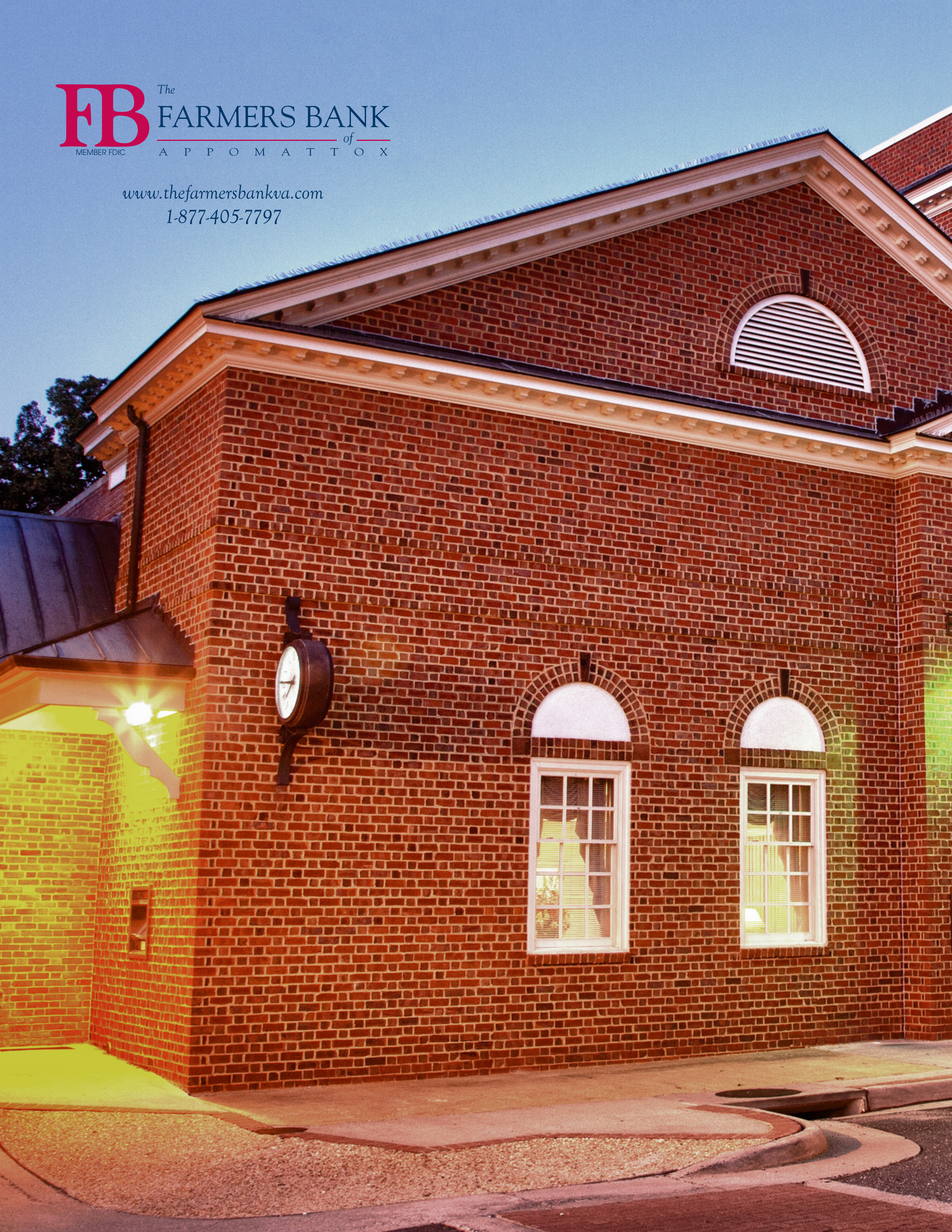
Donation to the Southside SPCA in memory of Jim Duff, a former VP & Branch Manager of the Bank's Longwood Village Branch & a well-respected member of the Farmville community. Mr. Duff passed away in April of 2016.

4-H Public Speaking Event Sponsor for over 45 Years

2016 HIGHLIGHTS

Farmers Bank Partners with Gleaning for the World to Make a Difference

Supporting Our Local Schools and Athletics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