

PROXY STATEMENT OF

**Richard J. Holland, Jr.
Gregory F. Holland**

April 12, 2022

IN OPPOSITION OF MANAGEMENT

FARMERS BANKSHARES, INC.

2022 ANNUAL MEETING OF SHAREHOLDERS

**Scheduled to be Held:
May 12, 2022
4:00 P.M., Eastern Time
HUB757
6801 Bridgeway Drive
Suffolk, VA 23435**

PLEASE SIGN, DATE AND RETURN THE ENCLOSED BLUE PROXY CARD TODAY!

This Proxy Statement and the enclosed **BLUE** proxy card are being furnished to shareholders of Farmers Bankshares, Inc. (the Company or Farmers Bankshares) by Richard J. (Dick) Holland, Jr. and Gregory F. (Greg) Holland (referred to as “we” in this Proxy Statement) in connection with the Company’s 2022 Annual Meeting of Shareholders (the Annual Meeting). Together, we beneficially own approximately 13.1% of the Company’s common stock that may vote at the Annual Meeting.

We are asking for your support in sending a powerful message of shareholder dissatisfaction to the Farmers Bankshares Board of Directors (the Board) at the Annual Meeting by voting **against** (via a **WITHHOLD** vote) the election of each of the Company’s director nominees for election to the Board, and by voting **AGAINST** the ratification of the Company’s appointment of Elliott Davis, PLLC as the Company’s independent auditor.

These votes are a referendum against the Company’s poor stewardship of your investment in the Company and against the Board’s decision to refuse shareholder input on the Company’s strategic direction.

The enclosed **BLUE** proxy card will allow shareholders to vote on the following proposals that are being presented by the Company for shareholder consideration at the Annual Meeting:

1. The election to the Board of Directors:
 - a. Five (5) “Class I” directors, G. Thomas Alphin, Jr., John T. Orlando, David T. Owen, Gregory P. Marshall and Vernon M. Towler, each to serve a three-year term until the 2025 Annual Meeting of Shareholders,
 - b. Two (2) “Class II” directors, O.A. Spady and William L. Chorey, each to serve a one-year term until the 2023 Annual Meeting of Shareholders, and
 - c. Two (2) “Class III” directors, J. Clifton Harrell, Jr. and Tiffany McMillan-McWaters, each to serve a two-year term until the 2024 Annual Meeting of Shareholders;
2. The ratification of the appointment of Elliott Davis, PLLC as the Company’s independent auditor for the year ending December 31, 2022; and
3. Any other business that properly comes before the meeting.

Subject to certain conditions described in more detail herein, we intend to vote each share of the Company’s common stock that we beneficially own, and all proxies delivered to us:

- to **WITHHOLD** votes from the election of all nominees for election as directors of the Company; and
- **AGAINST** the ratification of the appointment of Elliott Davis, PLLC as the Company’s independent auditor for the year ending December 31, 2022.

The Board has established the close of business on March 15, 2022 as the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting or any adjournments thereof. Approximately 3,143,824 shares of the Company’s common stock will be entitled to vote at the Annual Meeting.

This Proxy Statement is being sent and this solicitation is being made on behalf of Richard J. (Dick) Holland, Jr. and Gregory F. Holland and not on behalf of the Board or management of the Company.

This Proxy Statement and the enclosed **BLUE** proxy card are first being furnished to shareholders on or about April 12, 2022.

You have an important opportunity as a shareholder to have your voice heard at the Annual Meeting! We urge you to sign, date and return the BLUE proxy card TODAY!

IMPORTANT

Your vote is important, no matter how many or how few shares of the Company's common stock you own. Your vote matters. We urge you to sign, date and return the enclosed BLUE proxy card TODAY: (1) to WITHHOLD votes from the election of the Company's nominees for election as directors of the Company, and (2) to vote AGAINST the ratification of the appointment of Elliott Davis, PLLC as the Company's independent auditor for the year ending December 31, 2022.

- If you are a "registered" shareholder, please complete, sign and date the enclosed **BLUE** proxy card and return it to Richard J. (Dick) Holland, Jr. in the enclosed postage-paid envelope today.
- If you own shares in a brokerage account or by a bank or another institution as custodian or trustee, you are considered the "beneficial owner" of these shares. If that is the case, you must instruct your broker, bank, custodian, trustee or other nominee how to vote your shares.
- If you are a beneficial shareholder, you can request a "legal proxy" from your broker, bank, custodian, trustee or other nominee so that you can attend the meeting and vote in person.
- Please **DO NOT** sign or return any proxy card that you may receive from the Company or on behalf of the Company, which we expect to be printed on WHITE paper. If you have already submitted a proxy card to the Company, you have every right to change your vote by completing, signing, dating and returning the enclosed **BLUE** proxy card. Only your latest dated proxy will be counted.

Time is of the essence! Do NOT sign or return the Company's proxy card, which we expect to be printed on white paper. Discard it and any other proxy card you may receive from the Company or on behalf of the Company.

QUESTIONS

If you have any questions or need any assistance, please call or email Dick Holland or Greg Holland at the contact information below. Your shares, your votes and your voice as a shareholder are very important. Make each one count!

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REASONS FOR THE SOLICITATION

The Holland family has had a significant investment in Farmers Bank and Farmers Bankshares for over 100 years. We take very seriously our position and believe that we must act to protect all shareholders' investments in Farmers Bankshares, no matter how big or small.

We believe Farmers Bankshares' current Board and management are not acting in the best interests of shareholders. As we describe below, the Board has taken actions to prevent shareholders from sharing their views on the Company's strategy and whether shareholders believe the Company should review potential strategic transactions, including a merger or sale of the Company. Further, the Company's and the Bank's financial performance is not acceptable and significantly lower than industry averages on many key banking performance measures.

We do not believe that Farmers Bankshares' current Board or management has a credible plan to address the significant challenges that the Company is currently facing. We do not believe that the Bank's Board and management are honestly assessing the Bank's current and future operations. We have lost all confidence in the Board and management to maximize shareholder value and to be a good steward of your investment.

We believe a strong message must be sent to the current Board and management of Farmers Bankshares, that each must do more to maximize the value of shareholders' investment and that the present results are not acceptable. The best way to send that strong message is to vote against the Board and management at the Annual Meeting. We believe this feedback is critical to focus the Board on transactions that shareholders believe to be in the best interest of all shareholders, and to hold the Board accountable for its current inaction.

This is why we are soliciting proxies to **WITHHOLD** votes from the election of the Company's director nominees and to vote **AGAINST** the ratification of the appointment of the Company's auditor. **This sends a strong message that you need and want to be heard by management and the Board and that you want the Board to protect your investment in the Company.**

If you want Farmers Bankshares to explore a merger with a larger, higher-performing community bank, you must vote with us! This is your best opportunity to make the Board hear your voice, so that the Board will consider your views and best interests.

The Board has taken willful and purposeful steps to avoid listening to shareholders. We must hold the Board accountable.

Before Dick was removed as the Company's Chairman, Dick used his authority under the Company's Bylaws to call a special meeting of shareholders. The only item of business at that meeting was to give shareholders the opportunity to vote on an advisory proposal regarding whether the Company should conduct a review of all strategic alternatives to maximize value for all shareholders, including a process to solicit, receive and evaluate interest from other financial institutions in such alternatives. This advisory vote would have allowed all shareholders,

regardless of the number of shares held, to voice their views to the Farmers Bankshares Board and management.

If such an advisory vote was held and approved by shareholders, then under Virginia law the Board would have been responsible for evaluating any such alternatives, including a sale, merger or other strategic transaction, and for concluding whether any such transaction would be in the best interests of shareholders. The advisory vote would not have required the Board to accept (or reject) a specific proposed alternative transaction.

Instead of taking the opportunity to listen to shareholders, the Board decided to ignore the properly called special meeting of shareholders to prevent such an advisory vote. This action speaks very loudly and demonstrates how little value Farmers Bankshares' Board and management currently place on shareholders' views. We think it is deplorable for a bank's board and management to go to such lengths to prevent shareholders from making their voices heard. The Board's intentional silencing of shareholders' voices and input indicates clearly that the Board does not want to be accountable to shareholders.

Each shareholder should ask why the Board is asking you to vote to ratify the auditors that the Company has selected for the coming year – what is, essentially, a relatively insignificant advisory vote – but would not permit you to vote on the Company's strategic direction. This exposes the Board's hypocrisy for all to see. The Board took major steps to avoid shareholder feedback on the Company's strategic direction, but is comfortable asking for shareholder feedback on much less important matters.

The Company's financial performance is not acceptable.

While the Company reported "record" results for 2021, these results were significantly driven by the Company's investment in and income generated by the insurance agency, for which Dick was responsible during his tenure as CEO. The 2021 results were also driven by a \$3.1 million *one-time gain* on the sale of property owned by the Bank, which Dick shepherded to conclusion in 2021 and which will not be repeated in the coming years. The income from the sale of property and the insurance agency is not part of the Bank's core banking business.

When you look at the Bank's core banking business, the picture is bleak:

- The core Bank's return on average assets (which does not include the insurance agency business, or the sale of bank-owned real estate) is approximately 0.50%. Our peers average close to 1.00%, or twice what our Bank is earning.
- The core Bank's return on your equity is approximately 4.50%. Our peers average between 8% and 12% -- again, twice what our Bank is earning.
- Our Bank is significantly less efficient than our competitors. The core Bank's efficiency ratio (lower is better) is approximately 74%, when our peers average in the low-to-mid 60s.
- The stock price of Farmers Bankshares has not meaningfully increased in the past five years.
- The Bank's loan-to-deposit ratio is the third lowest among banks in the entire state of Virginia at approximately 49%, while the state average is 72%. To increase this

ratio to 80%, which is the target for long-term profitability, the Bank would need to increase loans by approximately \$167 million or 64%. Rather than increasing, the Bank's loans actually decreased during 2021. A March 2, 2022 article in the *Virginian-Pilot* under the headline "Hampton Roads banks report growth in profits as more money circulates in regional economy" makes clear that other local banks are significantly out-performing the Bank in attracting loans and earning net income.

Thus far during 2022, new economic pressures emerged, inflation significantly increased, Russia invaded Ukraine, and major investment banks are forecasting a recession. The Bank must increase its loan portfolio in an extremely challenging environment. We believe that the Bank has missed its chance to grow loans in an expanding market.

Industry pressures on community banks continue to increase.

At the same time the Bank is significantly underperforming, there is immense pressure in the banking industry on community banks to consolidate. Regulatory compliance is more complex and more costly than ever before. Bank customers are demanding new technology, products and services that are more costly and more difficult for small banks to deliver than larger banks. Responsible loan growth, given management's recent and present practices, will be very difficult to realize. It simply is not enough to wait until "loan demand returns to our local markets," as stated in the February 28, 2022 letter to shareholders by the other individual directors of the Company – particularly in light of the economic pressures described above.

Farmers Bankshares' current strategic planning process is unlikely to provide a robust review of all strategic alternatives, including potential merger transactions or a sale of the Company.

The Board and management of Farmers will likely repeat its prior line to shareholders – that it has engaged a financial advisor and initiated a "360-degree review" process to evaluate strategic alternatives. Do not be fooled by this review process. We believe this "360-degree" review is merely an attempt to explain away poor performance and the Board's failure (and refusal) to consider shareholders' best interests.

A robust strategic review process must include contacting other financial institutions to gauge potential interest in Farmers Bankshares, and critically evaluating all internal projections and budgets and updating them promptly for adverse economic developments. We believe the "360-degree" review will fail to meet these standards.

Farmers Bankshares' shareholders would benefit most from a merger or sale of the Company.

We continue to believe that shareholders' investment would be best protected by a merger or sale of the Company, in which shareholders would receive stock in a larger, higher-performing community bank. A merger or sale of the Company would create a significant premium for all shareholders and significant additional liquidity for those looking to sell their shares of Farmers Bankshares stock. We believe these interests are aligned with the interests of all of the Company's shareholders and that significant value can be unlocked through such a transaction.

By partnering with a larger, stronger community-oriented financial institution, a merger or sale of the Company will likely address many of the operational challenges the Company currently faces, as well as emerging economic pressures. Larger community banks generally have better efficiency ratios and returns on equity and assets, higher valuation and trading multiples that support higher stock prices, and larger commercial banking teams that can drive loan growth.

We are concerned about our staff and customers under the Company's current management.

Throughout the Bank's history, our success has been based on strong relationships within our community and with the Bank's customers and employees. We have received some worrying feedback that the Bank's relationships with its loyal and dedicated employees and customers are weakening under the Bank's current management. As a result, we are concerned that the Bank's historical focus on customer and employee relationships is deteriorating. By partnering with a larger, stronger community-oriented financial institution, we believe the Bank's commitment to customer and employee relationships could be renewed.

PROPOSAL ONE
ELECTION OF DIRECTORS

As explained in the Company's proxy statement for the Annual Meeting, there are a total of nine directors nominated for election to the Company's Board.

G. Thomas Alphin, Jr., John T. Orlando, David T. Owen, Gregory P. Marshall and Vernon M. Towler are nominated as Class I directors to serve a three-year term until the 2025 Annual Meeting of Shareholders. O.A. Spady and William L. Chorey are nominated as Class II directors to serve a one-year term until the 2023 Annual Meeting of Shareholders. J. Clifton Harrell, Jr. and Tiffany McMillan-McWaters are nominated as Class III directors to serve a two-year term until the 2024 Annual Meeting of Shareholders.

For the reasons stated above, we are seeking your support at the Annual Meeting to **WITHHOLD** your votes from the election of all nine of the Company's director nominees.

Under Virginia law and the Company's articles of incorporation and bylaws, assuming that a quorum is present at the Annual Meeting, the election of each director nominee requires the affirmative vote of a plurality of votes cast by shares entitled to vote at the Annual Meeting. The nine nominees that receive the greatest number of votes cast will be elected to the Company's Board.

Also under Virginia law and the Company's articles of incorporation and bylaws, a shareholder was required to identify any other nominees for election as director at the Annual Meeting in December 2021. To our knowledge, no other nominees for election as director were identified prior to this deadline.

As a result, any votes that are withheld or that abstain from the election of any director nominee are unlikely to have any impact on whether the director nominees are elected. Instead, any votes that are withheld from the election of the Company's director nominees will only serve as a referendum against the Board, as described in this Proxy Statement.

We urge you to WITHHOLD votes from the election of ALL nine of the Company's director nominees on the enclosed BLUE proxy card.

PROPOSAL TWO
RATIFICATION OF INDEPENDENT AUDITOR

As explained in the Company's proxy statement for the Annual Meeting, the Company is seeking an advisory shareholder vote ratifying the appointment of Elliott Davis, PLLC as the Company's independent auditor to audit the Company's consolidated financial statements for the fiscal year ending December 31, 2022.

We are seeking your support at the Annual meeting to vote **AGAINST** ratifying the appointment of Elliott Davis, PLLC as the Company's independent auditor, as a referendum against the Board and its actions.

Assuming that a quorum is present at the Annual Meeting, ratification of the Company's independent auditor will be approved if a majority of votes cast at the Annual Meeting vote in favor of ratification.

We urge you to vote AGAINST ratification of the Company's independent auditor on the enclosed BLUE proxy card

Note that Proposal Two is an advisory vote. Shareholders should question why the Board is comfortable giving shareholders an advisory vote on a relatively insignificant matter such as the ratification of auditors, but refused to give shareholders an advisory vote on a potential review of strategic alternatives at a properly called special meeting of shareholders.

PROXY PROCEDURES

Your vote is important, no matter how many shares you own. We urge you to mark, sign, date and return the enclosed BLUE proxy card today to WITHHOLD votes from the election of the Company's director nominees, and AGAINST ratification of the Company's independent auditor.

If your shares of common stock of Farmers Bankshares, Inc. are registered in your own name, please mark, sign, date and return the enclosed **BLUE** proxy card to the following address: 12 Randolph Drive, Windsor, VA 23487 (Attn: Richard J. (Dick) Holland, Jr.). You may use the enclosed, postage pre-paid envelope.

If your shares of common stock of Farmers Bankshares, Inc. are held in a brokerage account or by a bank or another institution as custodian or trustee, or otherwise in "street name," you are considered the beneficial owner of these shares. If that is the case, this Proxy Statement, together with the **BLUE** proxy card, are required to be forwarded to your broker, bank, custodian, trustee or other nominee. As a beneficial owner, you must instruct your broker, bank, custodian, trustee or other nominee how to vote your shares, because it may not have authority to vote without your instructions.

Because only your latest-dated proxy card will count, we urge you not to return any proxy card that you receive from the Company, which we expect will be printed on white paper. If you return a proxy card to the Company, it will revoke any **BLUE** proxy card that you have returned to us. Please make sure that the latest-dated proxy card that you return is the **BLUE** proxy card. We also urge you not to vote by internet or telephone, per the instructions contained in the Company's proxy statement.

If you are a beneficial owner of shares of Farmers Bankshares, Inc. common stock, and you wish to attend the Annual Meeting and vote in person, you must request a legal proxy from your broker, bank or other institution that serves as custodian, trustee or other nominee.

If you have any questions about this Proxy Statement, you may call Dick Holland at (757) 450-4420, or Greg Holland at (804) 814-1341.

VOTING INFORMATION

We believe that the only outstanding class of securities of the Company entitled to vote at the Annual Meeting is the Company's common stock. Only shareholders of record on the record date are entitled to notice of and to vote at the Annual Meeting. Each share of the Company's common stock is entitled to one vote.

Subject to the paragraph below, shares represented by a properly executed **BLUE** proxy card will be voted at the Annual Meeting as marked. Also subject to the paragraph below, if a **BLUE** proxy card does not contain voting instructions but is otherwise properly executed, the shares will be voted to **WITHHOLD** votes from the election of the Company's director nominees, **AGAINST** the ratification of the Company's auditors, and in the discretion of the person named as proxy on all other matters as may properly come before the Annual Meeting.

If we believe that the proxies that we receive with respect to the Annual Meeting would exceed a majority of the outstanding shares of the Company's common stock, the legal holder of these proxies may not attend the Annual Meeting which would cause your shares of the Company's common stock to not be counted toward a quorum at the Annual Meeting.

Quorum. Under the Company's bylaws, a majority of the shares of the Company's common stock, represented at the Annual Meeting in person or by proxy, will constitute a quorum at the Annual Meeting. Shares held in a brokerage account or by a bank or another institution as custodian or trustee that are voted on at least one matter will be counted for purposes of determining the presence or absence of a quorum at the Annual Meeting.

Abstentions, if any, are counted for purposes of determining whether a quorum is present at the Annual Meeting, but are not counted as votes cast at the Annual Meeting.

Broker Non-Votes. A broker non-vote occurs when a beneficial owner of shares held in a brokerage account or by a bank or another institution as custodian or trustee does not give instructions to the broker, bank or other nominee holding the shares as to how to vote on matters deemed "non-routine." Under the rules and interpretations of the New York Stock Exchange, "non-routine" matters include the election of directors and matters that are the subject of a counter-solicitation. Any broker non-vote would be counted for purposes of determining the presence or absence of a quorum at the Annual Meeting, but would not be counted as votes cast at the Annual Meeting.

Because we are soliciting proxies in opposition of the Company's Board with respect to both Proposal One and Proposal Two, each will be considered a "non-routine" matter and brokers that receive contested solicitation materials will not have discretionary authority to vote on Proposal One or Proposal Two without voting instructions from beneficial shareholders.

Revocation of Proxies. A shareholder may revoke his, her or its proxy at any time prior to the Annual Meeting by attending the Annual Meeting and voting in person, by delivering a written notice of revocation to the proxy holder, or by submitting a later-dated proxy. We request that shareholders mail any revocation (either an original or a photocopy) to us at 12 Randolph Drive, Windsor, VA 23487 (Attn: Richard J. (Dick) Holland, Jr.), so that we can be aware of all revocations and more accurately assess which shareholders of record have received proxies. We may use information collected during this process to contact shareholders who have submitted a revocation in order to solicit a later-dated proxy.

SOLICITATION OF PROXIES

The solicitation of proxies pursuant to this Proxy Statement is being made by Dick Holland and Greg Holland, as discussed above. Proxies may be solicited by mail, facsimile, telephone, Internet, in person or by advertisements.

Please note that the Company's director nominees have not consented to be named in this Proxy Statement and are not participants in this proxy solicitation. The names, backgrounds and qualifications of the Company's director nominees can be found in the Company's proxy statement for the Annual Meeting.

VOTING BY DICK HOLLAND AND GREG HOLLAND

We intend to vote all shares of the Company's common stock that we beneficially own to **WITHHOLD** votes from the election of the Company's director nominees, and **AGAINST** the ratification of the Company's independent auditor.

In addition, we are soliciting proxies to **WITHHOLD** votes from the election of the Company's director nominees, and **AGAINST** the ratification of the Company's independent auditor.

Our intentions regarding voting our shares and soliciting proxies are subject to the preceding section, "Voting and Proxy Procedures."

We request any broker, bank, custodian, trustee or other street name holder to forward all proxy solicitation materials to the ultimate beneficial owners of the shares of common stock they hold of record.

We are bearing all expenses associated with our solicitation of proxies, and we do not intend to seek reimbursement from the Company for any of these expenses.

INFORMATION ABOUT DICK HOLLAND AND GREG HOLLAND

This Proxy Statement is being distributed by, and your proxy is being solicited by, Dick Holland and Greg Holland. Information about the shares of the Company's common stock that we own is set forth on page 4 of this Proxy Statement.

Dick Holland is the former Chairman, President and Chief Executive Officer of the Company and the Bank. Prior to his removal, Dick also had the honor of serving as Chaplain for the Bank, and he previously served as a teller and Cashier of the Bank. Dick has served the Virginia Bankers Association in several capacities including on its Board of Directors and its Management Services Committee, and has also been an active member in the Virginia Association of Community Banks. Dick graduated from Hampden Sydney College and also attended the Dallas Theological Seminary. Dick was born and raised in Windsor, Virginia and attended local public schools. Dick grew up in and around the Bank including while his father, Sen. Richard J. Holland, Sr., served as Chairman, President and Chief Executive Officer of the Bank. Dick and his wife, Cindy, have five children and currently eight grandchildren with another one on the way.

Greg Holland is a litigation attorney with over 40 years of experience in private practice in Richmond, Virginia. Greg currently serves on the Board of Directors of the Virginia Alcoholic Beverage Control Authority, is a past President of the Bar Association of the City of Richmond, and served on the Judicial Nominations Committee of the Virginia State Bar for three years, the last year as co-chair. He was chosen by his peers as a Virginia Super Lawyer for more than 10 years and included in Best Lawyers in America in four categories. Greg graduated from Hampden-Sydney College and earned his law degree at the University of Richmond T.C. Williams School of Law. Greg grew up in Windsor, Virginia and attended public schools there, graduating from

Windsor High School in 1973. He worked for the Bank for four summers during high school and college. Greg and his wife, Pat, have three children and six grandchildren.

We do not have any financial interest in the matters under consideration at the Annual Meeting that is different than the interests of all shareholders generally.

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PROXY STATEMENT OF

**Richard J. Holland, Jr.
Gregory F. Holland**

April 12, 2022

IN OPPOSITION OF MANAGEMENT

We hope the information in this Proxy Statement is helpful to you and that you will support our efforts to ensure that the voices of the Company's shareholders are heard at the Annual Meeting.

It is critical that, as a shareholder of the Company, you take this opportunity to tell the Board what you think! Your vote is important! Please give us your proxy to vote **against** (via a **WITHHOLD** vote) the election of each of the Company's director nominees, and by voting **AGAINST** the ratification of the Company's appointment of Elliott Davis, PLLC as the Company's independent auditor, so that the Board better understands that it needs to work to maximize value for all shareholders.

As reminders:

- **DO mark, sign, date and mail the enclosed BLUE proxy card today!**
- **Do NOT sign or return the Company's proxy card, which we expect to be printed on white paper.** Discard it and any other proxy card you may receive from the Company.
- If you have already returned the Company's proxy card, **you may still change your mind and use our BLUE proxy card to vote.** Only the last dated proxy card will count at the Annual Meeting.

If you have any questions about this Proxy Statement or the Annual Meeting, or if you need another copy of this Proxy Statement or our **BLUE** proxy card, please contact either of us at the contact information below. Thank you so much for your support.



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