

## **Eagle Financial Services, Inc. Announces 2009 First Quarter Financial Results and Quarterly Dividend**

*BERRYVILLE, Va., April 21* - Eagle Financial Services, Inc. (OTC BULLETIN BOARD: EFSI), the holding company for Bank of Clarke County, whose divisions include Eagle Investment Group, announces first quarter 2009 financial results and a quarterly dividend. The Company's common stock is listed for trading on the Over-the-Counter (OTC) Bulletin Board under the ticker symbol EFSI.

John R. Milleson, President and CEO, stated "The first quarter of 2009 has been a challenging time for all banks. Like many other banks, our non-performing assets have increased. Even with such increases, Eagle Financial Services, Inc. has maintained strengths in many key areas. Our core earnings, liquidity, deposit growth and capital each remain strong. Most importantly though, as a community bank we feel that perhaps our greatest strength is that of possessing the ability and willingness to work with our customers in both the good times and the bad. We have been committed to being a safe and sound bank since 1881 and our commitment to our shareholders and community remains our main focus."

Net interest income for the quarter ended March 31, 2009 was \$4.7 million which represented an increase of 3.4% when compared to \$4.5 million for the same period in 2008. Although average earning assets increased \$13.2 million since March 31, 2008, the increase net interest income resulted mostly from the decline in the Company's funding costs.

Total loan interest income was \$5.6 million for the quarter ended March 31, 2009, reflecting a decrease of \$911,000 from the quarter ended March 31, 2008. Average loans decreased \$962,000 since March 31, 2008. Interest income from the investment portfolio was \$1.2 million for the quarter ended March 31, 2009 and \$1.1 million for the same time period in 2008. Average investments increased \$9.4 million since March 31, 2008.

Total interest expense for the three months ended March 31, 2009 decreased \$987,000 when compared to the three months ended March 31, 2008. Interest expense on borrowings had decreased, as did the demand among local competitors for deposits thereby decreasing the acquisition costs of deposits and the corresponding interest expense. The average cost of interest bearing liabilities decreased 105 basis points from the quarter ended March 31, 2008 to the same period in 2009. The average balance of interest bearing liabilities increased \$11.1 million from the quarter ended March 31, 2008 to the same period in 2009.

The net interest margin increased from 3.90% for the quarter ended March 31, 2008 to 3.98% for the quarter ended March 31, 2009. The increase in the net interest margin was mostly attributable to the decreased cost of interest bearing liabilities.

The Company's net interest margin is not a measurement under accounting principles generally accepted in the United States, but it is a common measure used by the financial services industry to determine how profitably earning assets

are funded. The Company's net interest margin is calculated by dividing tax equivalent net interest income by total average earning assets. Tax equivalent net interest income is calculated by grossing up interest income for the amounts that are non-taxable (i.e., municipal income) then subtracting interest expense. The tax rate utilized is 34%.

Provisions for loan losses were \$800,000 for the three months ended March 31, 2009, compared to \$200,000 for the quarter ended March 31, 2008. Although the Company experienced a decrease in total loans since the December 31, 2008, given the level of problem loans, continued uncertainty in the economy, and the current nationwide credit crisis, the Company deemed it prudent to increase its allowance for loan losses.

Non performing assets increased from \$1.5 million or .30% of total assets at March 31, 2008 to \$6.9 million or 1.30% of total assets at March 31, 2009. This rise was mostly a result of the increase in non accrual loans. During the first quarter of 2009, the Bank foreclosed upon real estate assets valued at \$422,000. Loans greater than 90 days past due increased from \$624,000 at March 31, 2008 to \$1.6 million at March 31, 2009. At March 31, 2009, the majority of past due loans are secured by consumer real estate. The Company realized \$314,000 in net charge-offs for the quarter ended March 31, 2009 versus \$86,000 for the same period in 2008. Given the current economic environment, it is anticipated there could be an increase in past due loans, non performing loans and other real estate owned. However, the Company believes that the allowance for loan losses will be maintained at a level adequate to mitigate any negative impact resulting from such increases.

Noninterest income was \$1.2 million and \$1.9 million for the quarters ended March 31, 2009 and 2008, respectively. The change in noninterest income reflects a decrease of \$717,000 or 37.3%. For the quarter ended March 31, 2008, the Company had realized a \$376,000 gain on the sale of its credit card portfolio. Much of the remaining decrease resulted from the decline in commissions earned from sales of non-deposit investments.

Noninterest expense was \$3.8 million and \$3.9 million for the quarters ended March 31, 2009 and 2008, respectively.

Total consolidated assets of the Company at March 31, 2009 were \$535.3 million, which represents an increase of \$17.4 million or 3.4% from total assets of \$517.8 million at March 31, 2008. Total loans increased \$1.0 million from \$387.6 million at March 31, 2008 to \$388.6 million at March 31, 2009. Considering the current interest rate and competitive market environment, the Company has been conscientious about maintaining both its underwriting standards and its net interest margin and thereby cautious about the growth it has permitted in the loan portfolio.

Total deposits, which include brokered deposits, increased 6.7% to \$401.3 million at March 31, 2009 from \$375.5 million at March 31, 2008. Brokered deposits were \$20.5 million at March 31, 2009 and \$5.5 million at March 31, 2008.

Securities sold under agreement to repurchase were \$14.7 million at March 31, 2009 and \$15.5 million at March 31, 2008. Borrowings with the Federal Home Loan Bank of Atlanta were \$62.3 million at March 31, 2008 and \$70.0 million at March 31, 2008.

Shareholders' equity at March 31, 2009 and March 31, 2008 was \$46.7 million and \$46.5 million, respectively. The book value of the Company at March 31, 2009 was \$14.74 per common share. Total common shares outstanding were 3,167,250 at March 31, 2009. On April 15, 2009, the board of directors declared a \$0.17 per common share cash dividend for shareholders of record as of May 1, 2009 and payable on May 15, 2009.

Certain information contained in this discussion may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to the Company's future operations and are generally identified by phrases such as "the Company expects," "the Company believes" or words of similar import. Although the Company believes that its expectations with respect to the forward-looking statements are based upon reliable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that actual results, performance or achievements of the Company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. For details on factors that could affect expectations, see the risk factors and other cautionary language included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, and other filings with the Securities and Exchange Commission.