

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **July 21, 2009**

**EAGLE FINANCIAL SERVICES, INC.**

(Exact name of registrant as specified in its charter)

**Virginia**  
(State or other jurisdiction of  
incorporation)

**0-20146**  
(Commission File Number)

**54-1601306**  
(IRS Employer Identification No.)

**2 East Main Street  
P.O. Box 391  
Berryville, Virginia**  
(Address of principal executive offices)

**22611**  
(Zip Code)

Registrant's telephone number, including area code: **(540) 955-2510**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02 Results of Operations and Financial Condition**

On July 21, 2009, the Registrant issued a press release announcing results for the quarter ended June 30, 2009. A copy of the press release is being furnished as an exhibit to this report and is incorporated by reference into this Item 2.02.

**Item 9.01 Financial Statements and Exhibits**

- (d) Exhibits. The following exhibit is being furnished pursuant to Item 2.02 above.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated July 21, 2009.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: July 21, 2009

Eagle Financial Services, Inc.

By: /s/ KATHLEEN J. CHAPPELL

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Kathleen J. Chappell  
Vice President and CFO

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated July 21, 2009.

EXHIBIT 99.1

## EAGLE FINANCIAL SERVICES, INC. ANNOUNCES 2009 SECOND QUARTER FINANCIAL RESULTS AND QUARTERLY DIVIDEND

Contact: Kathleen J. Chappell, Vice President and CFO

540-955-2510

[kchappell@bankofclarke.com](mailto:kchappell@bankofclarke.com)

**BERRYVILLE, VIRGINIA** (July 21, 2009) – Eagle Financial Services, Inc. (OTC BULLETIN BOARD: EFSI), the holding company for Bank of Clarke County, whose divisions include Eagle Investment Group, announces second 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.

### Second Quarter 2009 Financial Results:

- Net income of \$904,000
- Diluted earnings per share \$0.28
- Net interest margin of 4.24%
- Allowance for loan losses at 1.13% of total loans
- Retail deposit growth of \$14.8 million since December 31, 2008
- Total equity to assets of 9.30%
- Dividend of \$0.17 per share

John R. Milleson, President and CEO, stated *“These are still difficult times for Eagle Financial Services, Inc., the industry and our economy in general, but there are some signs of recovery, particularly in larger financial institutions and the housing market. I believe that 2009 will continue to present challenges, but the Company is determined to be even stronger after the recession than it had been before. The Bank has been in business for 128 years and it intends to continue to operate in a safe and sound manner for the benefit of its shareholders, its employees and the communities in which it serves.”*

### **Net Interest Income and Net Interest Margin**

Net interest income for the quarter ended June 30, 2009 was \$5.1 million which represented an increase of 4.7% when compared to \$4.9 million for the same period in 2008. Although average earning assets increased \$10.0 million since June 30, 2008, the increase in net interest income resulted mostly from the decline in the Company's funding costs.

Total loan interest income was \$5.7 million for the quarter ended June 30, 2009, reflecting a decrease of \$496,000 from the quarter ended June 30, 2008. Average loans decreased \$1.2 million since June 30, 2008. Interest income from the investment portfolio was \$1.2 million for the quarters ended June 30, 2009 and 2008. Average investments increased \$5.2 million since June 30, 2008.

Total interest expense for the three months ended June 30, 2009 decreased \$761,000 when compared to the three months ended June 30, 2008. The average cost of interest bearing liabilities decreased 83 basis points from the quarter ended June 30, 2008 to the same period in 2009. The average balance of interest bearing liabilities increased \$9.4 million from the quarter ended June 30, 2008 to the same period in 2009.

The net interest margin increased from 4.12% for the quarter ended June 30, 2008 to 4.24% for the quarter ended June 30, 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%.

### **Asset Quality and Provision for Loan Losses**

Provisions for loan losses were \$1.1 million for the three months ended June 30, 2009, compared to \$300,000 for the quarter ended June 30, 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 ongoing nationwide credit crisis, the Company deemed it prudent to increase its allowance for loan losses.

Non performing assets increased from \$2.3 million or .44% of total assets at June 30, 2008 to \$4.3 million or .82% of total assets at June 30, 2009. This rise was a result of the increase in both non accrual loans and other real estate owned. During the second quarter of 2009, the Bank foreclosed upon real estate assets valued at \$2.2 million and sold three pieces of other real estate owned recorded at \$677,000. Loans greater than 90 days past due decreased from \$1.3 million at June 30, 2008 to \$50,000 at June 30, 2009. The Company realized \$1.7 million in net charge-offs for the quarter ended June 30, 2009 versus \$272,000 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.

On July 17, 2009, the Company sold its investment in CIT Group, Inc. The Company held two bonds with a book value of \$1.0 million and a fair market value of \$700,000 at June 30, 2009. The Company will settle on the sale of the two bonds on July 21, 2009 and realize a loss in the amount of \$486,000.

### **Non Interest Income and Non Interest Expense**

Noninterest income was \$1.3 million and \$2.5 million for the quarters ended June 30, 2009 and 2008, respectively. The change in noninterest income reflects a decrease of \$1.2 million or 49.2%. For the quarter ended June 30, 2008, the Company had realized a \$742,000 gain on the sale of a branch building. Much of the remaining decrease resulted from the decline in commissions earned from sales of non-deposit investments.

Noninterest expense was \$4.1 million for the quarters ended June 30, 2009 and 2008. Despite an increase in FDIC insurance premiums of \$194,000 for the quarter ended June 30, 2009 versus the same period in 2008, the Company has diligently managed and monitored its other operating expenses.

### **Total Consolidated Assets**

Total consolidated assets of the Company at June 30, 2009 were \$522.6 million, which represents a decrease of \$5.5 million or 1.1% from total assets of \$528.1 million at December 31, 2008. Total loans decreased \$503,000 from \$390.1 million at December 31, 2008 to \$389.6 million at June 30, 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.

### **Deposits and Other Borrowings**

Total deposits, which include brokered deposits, decreased \$5.3 million to \$381.2 million at June 30, 2009 from \$386.5 million at December 31, 2008. Brokered deposits were \$5.5 million at June 30, 2009 and \$25.5 million at December 31, 2008.

Securities sold under agreement to repurchase were \$14.2 million at June 30, 2009 and \$16.4 million at December 31, 2008. Borrowings with the Federal Home Loan Bank of Atlanta were \$62.3 million at June 30, 2009 and \$75.0 million at December 31, 2008.

## Equity

Shareholders' equity at June 30, 2009 and December 31, 2008 was \$48.6 million and \$46.8 million, respectively. The book value of the Company at June 30, 2009 was \$15.28 per common share. Total common shares outstanding were 3,180,899 at June 30, 2009. On July 15, 2009, the board of directors declared a \$0.17 per common share cash dividend for shareholders of record as of August 1, 2009 and payable on August 14, 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.

**EAGLE FINANCIAL SERVICES, INC.**

**KEY STATISTICS**

	<b>For the Three Months Ended</b>			
	<b>2Q09</b>	<b>1Q09</b>	<b>2Q08</b>	<b>1Q08</b>
Net Income ( <i>dollars in thousands</i> )	\$ 904	\$ 955	\$ 2,081	\$ 1,689
Earnings per share, basic	\$ 0.29	\$ 0.30	\$ 0.66	\$ 0.54
Earnings per share, diluted	\$ 0.28	\$ 0.30	\$ 0.66	\$ 0.54
Return on average total assets	0.71%	0.74%	1.61%	1.32%
Return on average total equity	7.80%	8.27%	17.76%	14.75%
Dividend payout ratio	58.62%	56.67%	25.76%	29.63%
Fee revenue as a percent of total revenue	15.44%	15.13%	25.01%	15.58%
Net interest margin <sup>(1)</sup>	4.24%	3.98%	4.12%	3.90%
Yield on average earning assets	5.67%	5.66%	6.20%	6.42%
Yield on average interest-bearing liabilities	1.82%	2.12%	2.65%	3.17%
Net interest spread	3.85%	3.54%	3.55%	3.25%
Tax equivalent adjustment to net interest income ( <i>dollars in thousands</i> )	\$ 187	\$ 182	\$ 175	\$ 174
Non-interest income to average assets	0.95%	0.92%	1.92%	1.51%
Non-interest expense to average assets	3.10%	2.92%	3.16%	3.04%
Efficiency ratio <sup>(2)</sup>	62.88%	63.04%	54.20%	58.50%

(1) The net interest margin is calculated by dividing tax equivalent net interest income by total average earning assets. Tax equivalent 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 rate utilized is 34%. For the quarters ended June 30, 2009 and June 30, 2008 net interest income on a tax equivalent basis was \$5.3 million and \$5.0 million, respectively. For the quarters ended March 31, 2009 and March 31, 2008 net interest income on a tax equivalent basis was \$4.9 million and \$4.7 million, respectively. See the table below for a reconciliation of net interest income to tax equivalent net interest income. The Company's net interest margin is a common measure used by the financial service industry to determine how profitable earning assets are funded. Because the Company earns a fair amount of non taxable interest income due to the mix of securities in its investment security portfolio, net interest income for the ratio is calculated on a tax equivalent basis as described above.

(2) The efficiency ratio is not a measurement under accounting principles generally accepted in the United States. It is calculated by dividing non interest expense by the sum of tax equivalent net interest income and non interest income excluding gains and losses on the investment portfolio. The tax rate utilized is 34%. For the quarters ended June 30, 2009 and June 30, 2008, tax equivalent net interest income was \$5.3 million and \$5.0 million, respectively. For the quarters ended March 31, 2009 and March 31, 2008 net interest income on a tax equivalent basis was \$4.9 million and \$4.7 million, respectively. See the table below for a reconciliation of net interest income to tax equivalent net interest income. Total non interest income, excluding gains and losses on the investment portfolio, for the quarters ended June 30, 2009 and June 30, 2008, was \$1.3 million and \$2.5 million, respectively. Total non interest income, excluding gains and losses on the investment portfolio, for the quarters ended March 31, 2009 and March 31, 2008, was \$1.2 million and \$1.9 million, respectively. The Company calculates this ratio in order to evaluate its overhead structure or how effectively it is operating. An increase in the ratio from period to period indicates the Company is losing a larger percentage of its income to expenses. The Company believes that the efficiency ratio is a reasonable measure of profitability.

**EAGLE FINANCIAL SERVICES, INC.**  
**SELECTED FINANCIAL DATA BY QUARTER**

	<u>2Q09</u>	<u>1Q09</u>	<u>2Q08</u>	<u>1Q08</u>
<b>BALANCE SHEET RATIOS</b>				
Loans to deposits	102.20%	96.85%	104.96%	103.21%
Average interest-earning assets to average-interest bearing liabilities	126.56%	125.56%	127.07%	125.77%
<b>PER SHARE DATA</b>				
Dividends	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.16
Book value	\$ 15.28	\$ 14.74	\$ 14.96	\$ 14.85
Tangible book value	\$ 15.26	\$ 14.71	\$ 14.92	\$ 14.81
<b>SHARE PRICE DATA</b>				
Closing price	\$ 15.00	\$ 14.60	\$ 21.00	\$ 22.00
Diluted earnings multiple(1)	0.98	0.99	1.41	1.48
Book value multiple(2)	0.98	0.99	1.40	1.48
<b>COMMON STOCK DATA</b>				
Outstanding shares at end of period	3,180,899	3,167,250	3,167,250	3,128,667
Weighted average shares outstanding	3,169,197	3,162,666	3,132,315	3,125,355
Weighted average shares outstanding, diluted	3,172,659	3,166,620	3,138,161	3,132,370
<b>CAPITAL RATIOS</b>				
Total equity to total assets	9.30%	8.72%	9.05%	8.98%
<b>CREDIT QUALITY</b>				
Net charge-offs to average loans	0.43%	0.08%	0.07%	0.02%
Total non-performing loans to total loans	0.54%	1.52%	0.32%	0.34%
Total non-performing assets to total assets	0.82%	1.30%	0.44%	0.30%
Non-accrual loans to:				
total loans	0.53%	1.10%	0.00%	0.18%
total assets	0.39%	0.80%	0.00%	0.14%
Allowance for loan losses to:				
total loans	1.13%	1.29%	0.85%	0.85%
non-performing assets	102.74%	72.12%	144.39%	216.01%
non-accrual loans	213.60%	116.66%	0.00%	473.44%
<b>NON-PERFORMING ASSETS:</b>				
<i>(dollars in thousands)</i>				
Loans delinquent over 90 days	\$ 50	\$ 1,624	\$ 1,269	\$ 624
Non-accrual loans	2,052	4,293	-	704
Other real estate owned and repossessed assets	2,164	1,027	1,020	215
<b>NET LOAN CHARGE-OFFS (RECOVERIES):</b>				
<i>(dollars in thousands)</i>				
Loans charged off	\$ 1,727	\$ 361	\$ 301	\$ 99
(Recoveries)	(52)	(48)	(29)	(13)
Net charge-offs (recoveries)	1,675	313	272	86
<b>PROVISION FOR LOAN LOSSES</b> <i>(dollars in thousands)</i>	\$ 1,050	\$ 800	\$ 300	200
<b>ALLOWANCE FOR LOAN LOSS SUMMARY</b>				
<i>(dollars in thousands)</i>				
Balance at the beginning of period	\$ 5,008	\$ 4,521	\$ 3,305	\$ 3,191
Provision	1,050	800	300	200
Net charge-offs (recoveries)	1,675	313	272	86
Balance at the end of period	\$ 4,383	\$ 5,008	\$ 3,333	\$ 3,305

(1) The diluted earnings multiple (or price earnings ratio) is calculated by dividing the period's closing market price per share by total equity per weighted average shares outstanding, diluted for the period. The diluted earnings multiple is a measure of how much an investor may be willing to pay for \$1.00 of the Company's earnings.

(2) The book value multiple (or price to book ratio) is calculated by dividing the period's closing market price per share by the period's book value per share. The book value multiple is a measure used to compare the Company's market value per share to its book value per share.

**EAGLE FINANCIAL SERVICES, INC.****BALANCE SHEET***(dollars in thousands)*

	<u>Unaudited</u> <u>6/30/2009</u>	<u>Unaudited</u> <u>3/31/2009</u>	<u>Audited</u> <u>12/31/2008</u>	<u>Unaudited</u> <u>6/30/2008</u>	<u>Unaudited</u> <u>3/31/2008</u>
<b>Assets</b>					
Cash and due from banks	\$ 7,841	\$ 7,425	\$ 7,287	\$ 9,687	\$ 10,768
Federal funds sold	-	16,679	11,052	-	1,326
Securities available for sale, at fair value	101,884	101,796	98,919	97,675	97,960
Loans, net of allowance for loan losses	385,200	383,632	385,565	387,327	384,292
Bank premises and equipment, net	15,006	15,165	15,377	15,681	16,420
Other assets	12,679	10,685	9,942	8,069	7,053
Total assets	<u>\$ 522,610</u>	<u>\$ 535,382</u>	<u>\$ 528,142</u>	<u>\$ 518,439</u>	<u>\$ 517,819</u>
<b>Liabilities and Shareholders' Equity</b>					
<b>Liabilities</b>					
Deposits:					
Noninterest bearing demand deposits	\$ 83,985	\$ 83,180	\$ 81,340	\$ 81,065	\$ 80,968
Savings and interest bearing demand deposits	154,071	153,629	154,622	154,827	144,584
Time deposits	143,130	164,471	150,565	136,295	149,989
Total deposits	<u>\$ 381,186</u>	<u>\$ 401,280</u>	<u>\$ 386,527</u>	<u>\$ 372,187</u>	<u>\$ 375,541</u>
Federal funds purchased and securities sold under agreements to repurchase	19,791	14,717	14,693	19,324	15,505
Federal Home Loan Bank advances	62,250	62,250	70,000	70,000	70,000
Trust preferred capital notes	7,217	7,217	7,217	7,217	7,217
Other liabilities	3,555	3,244	2,876	2,810	3,079
Commitments and contingent liabilities	-	-	-	-	-
Total liabilities	<u>\$ 473,999</u>	<u>\$ 488,708</u>	<u>\$ 481,313</u>	<u>\$ 471,538</u>	<u>\$ 471,342</u>
<b>Shareholders' Equity</b>					
Preferred stock, \$10 par value	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock, \$2.50 par value	7,952	7,918	7,888	7,839	7,822
Surplus	8,085	7,872	7,796	7,418	7,256
Retained earnings	33,558	33,194	32,779	33,566	32,019
Accumulated other comprehensive income	(984)	(2,310)	(1,634)	(1,922)	(620)
Total shareholders' equity	<u>\$ 48,611</u>	<u>\$ 46,674</u>	<u>\$ 46,829</u>	<u>\$ 46,901</u>	<u>\$ 46,477</u>
Total liabilities and shareholders' equity	<u>\$ 522,610</u>	<u>\$ 535,382</u>	<u>\$ 528,142</u>	<u>\$ 518,439</u>	<u>\$ 517,819</u>

**EAGLE FINANCIAL SERVICES, INC.**  
**SUMMARY INCOME STATEMENT**  
*(dollars in thousands)*

	<u>Unaudited</u> <u>6/30/2009</u>	<u>Unaudited</u> <u>3/31/2009</u>	<u>Unaudited</u> <u>6/30/2008</u>	<u>Unaudited</u> <u>3/31/2008</u>
<b>Interest and Dividend Income</b>				
Interest and fees on loans	\$ 5,698	\$ 5,604	\$ 6,194	\$ 6,491
Interest on federal funds sold	3	4	8	28
Interest and dividends on securities available for sale:				
Taxable interest income	748	753	691	594
Interest income exempt from federal income taxes	298	285	290	297
Dividends	119	113	219	182
Interest on deposits in banks	2	-	1	2
Total interest and dividend income	<u>\$ 6,868</u>	<u>\$ 6,759</u>	<u>\$ 7,403</u>	<u>\$ 7,594</u>
<b>Interest Expense</b>				
Interest on deposits	\$ 1,080	\$ 1,328	\$ 1,694	\$ 2,115
Interest on federal funds purchased and securities sold under agreements to repurchase	95	97	130	107
Interest on Federal Home Loan Bank advances	530	564	640	724
Interest on trust preferred capital notes	48	61	81	108
Interest on interest rate swap	31	17	-	-
Total interest expense	<u>\$ 1,784</u>	<u>\$ 2,067</u>	<u>\$ 2,545</u>	<u>\$ 3,054</u>
Net interest income	<u>\$ 5,084</u>	<u>\$ 4,692</u>	<u>\$ 4,858</u>	<u>\$ 4,540</u>
<b>Provision For Loan Losses</b>				
Net interest income after provision for loan losses	<u>\$ 4,034</u>	<u>\$ 3,892</u>	<u>\$ 4,558</u>	<u>\$ 4,340</u>
<b>Noninterest Income</b>				
Income from fiduciary activities	\$ 204	240	\$ 274	\$ 219
Service charges on deposit accounts	517	477	584	553
Other service charges and fees	494	486	717	711
Gain on the sale of loans	-	-	-	376
Gain on the sale of bank premises and equipment	-	-	742	-
Gain (loss) on the sale of other real estate owned	4	-	-	-
Other operating income	35	2	152	63
Total noninterest income	<u>\$ 1,254</u>	<u>\$ 1,205</u>	<u>\$ 2,469</u>	<u>\$ 1,922</u>
<b>Noninterest Expenses</b>				
Salaries and employee benefits	\$ 2,287	\$ 2,170	\$ 2,321	\$ 2,297
Occupancy expenses	348	296	358	287
Equipment expenses	166	171	175	171
Advertising and marketing expenses	87	95	90	88
Stationery and supplies	80	85	101	92
ATM network fees	32	31	112	103
Other operating expenses	1,103	984	909	844
Total noninterest expenses	<u>\$ 4,103</u>	<u>\$ 3,832</u>	<u>\$ 4,066</u>	<u>\$ 3,882</u>
Income before income taxes	<u>\$ 1,185</u>	<u>\$ 1,265</u>	<u>\$ 2,961</u>	<u>\$ 2,380</u>
<b>Income Tax Expense</b>				
Net income	<u>\$ 904</u>	<u>\$ 955</u>	<u>\$ 2,081</u>	<u>\$ 1,689</u>
<b>Earnings Per Share</b>				
Net income per common share, basic	<u>\$ 0.29</u>	<u>\$ 0.30</u>	<u>\$ 0.66</u>	<u>\$ 0.54</u>
Net income per common share, diluted	<u>\$ 0.28</u>	<u>\$ 0.30</u>	<u>\$ 0.66</u>	<u>\$ 0.54</u>

**EAGLE FINANCIAL SERVICES, INC.**

**Average Balances, Income and Expenses, Yields and Rates**

(dollars in thousands)

	For the Three Months Ended June 30,					
	2009			2008		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
<b>Assets:</b>						
Securities:						
Taxable	71,617	3,478	4.86%	68,189	3,640	5.34%
Tax-Exempt <sup>(1)</sup>	32,614	1,814	5.56%	30,892	1,760	5.70%
Total Securities	<u>104,231</u>	<u>5,292</u>	5.08%	<u>99,081</u>	<u>5,400</u>	5.45%
Loans:						
Taxable	380,692	22,595	5.94%	383,884	24,581	6.40%
Tax-Exempt <sup>(1)</sup>	6,221	393	6.32%	4,218	299	7.09%
Total Loans	<u>386,913</u>	<u>22,988</u>	5.94%	<u>388,102</u>	<u>24,880</u>	6.41%
Federal funds sold	7,647	12	0.16%	1,726	32	1.85%
Interest-bearing deposits in other banks	215	8	3.72%	122	4	3.28%
Total earning assets	<u>499,006</u>	<u>28,300</u>	5.67%	<u>489,031</u>	<u>30,316</u>	6.20%
Allowance for loan losses	(4,359)			(3,352)		
Total non-earning assets	<u>35,403</u>			<u>30,787</u>		
Total assets	<u><u>530,050</u></u>			<u><u>516,466</u></u>		
<b>Liabilities and Shareholders' Equity:</b>						
Interest-bearing deposits:						
NOW accounts	57,173	287	0.50%	62,151	656	1.06%
Money market accounts	60,352	557	0.92%	51,691	901	1.74%
Savings accounts	36,734	124	0.34%	34,152	220	0.64%
Time deposits:						
\$100,000 and more	53,221	1,109	2.08%	71,827	2,473	3.44%
Less than \$100,000	102,638	2,257	2.20%	69,219	2,526	3.65%
Total interest-bearing deposits	<u>310,118</u>	<u>4,334</u>	1.40%	<u>289,040</u>	<u>6,776</u>	2.34%
Federal funds purchased and securities sold under agreements to repurchase	14,685	382	2.60%	18,609	520	2.79%
Federal Home Loan Bank advances	62,250	2,125	3.41%	70,000	2,560	3.66%
Trust preferred capital notes	7,217	317	4.39%	7,217	324	4.49%
Total interest-bearing liabilities	<u>394,270</u>	<u>7,158</u>	1.82%	<u>384,866</u>	<u>10,180</u>	2.65%
Noninterest-bearing liabilities:						
Demand deposits	84,477			81,793		
Other Liabilities	3,232			2,920		
Total liabilities	<u>481,979</u>			<u>469,579</u>		
Shareholders' equity	<u>48,071</u>			<u>46,887</u>		
Total liabilities and shareholders' equity	<u><u>530,050</u></u>			<u><u>516,466</u></u>		
Net interest income		<u><u>21,142</u></u>			<u><u>20,136</u></u>	
Net interest spread			3.85%			3.55%
Interest expense as a percent of average earning assets			1.43%			2.08%
Net interest margin			4.24%			4.12%

(1) Income and yields are reported on a tax equivalent basis using a federal tax rate of 34%.

**EAGLE FINANCIAL SERVICES, INC.**

**Average Balances, Income and Expenses, Yields and Rates**

(dollars in thousands)

	<b>For the Three Months Ended March 31,</b>					
	<b>2009</b>			<b>2008</b>		
	<b>Average Balance</b>	<b>Interest Income/ Expense</b>	<b>Average Rate</b>	<b>Average Balance</b>	<b>Interest Income/ Expense</b>	<b>Average Rate</b>
<b>Assets:</b>						
Securities:						
Taxable	68,082	3,529	5.18%	58,270	3,104	5.33%
Tax-Exempt <sup>(1)</sup>	31,189	1,750	5.61%	31,613	1,800	5.69%
Total Securities	<u>99,271</u>	<u>5,279</u>	5.32%	<u>89,883</u>	<u>4,904</u>	5.46%
Loans:						
Taxable	383,241	22,451	5.86%	386,550	25,796	6.67%
Tax-Exempt <sup>(1)</sup>	5,776	419	7.26%	3,429	252	7.35%
Total Loans	<u>389,017</u>	<u>22,870</u>	5.88%	<u>389,979</u>	<u>26,048</u>	6.68%
Federal funds sold	8,642	17	0.20%	3,937	112	2.84%
Interest-bearing deposits in other banks	314	1	0.18%	248	8	3.23%
Total earning assets	<u>497,243</u>	<u>28,167</u>	5.66%	<u>484,047</u>	<u>31,072</u>	6.42%
Allowance for loan losses	(4,606)			(3,233)		
Total non-earning assets	<u>33,073</u>			<u>31,210</u>		
Total assets	<u><u>525,710</u></u>			<u><u>512,024</u></u>		
<b>Liabilities and Shareholders' Equity:</b>						
Interest-bearing deposits:						
NOW accounts	57,565	384	0.67%	64,435	847	1.31%
Money market accounts	59,458	750	1.26%	45,635	910	1.99%
Savings accounts	34,286	160	0.47%	33,184	227	0.68%
Time deposits:						
\$100,000 and more	57,823	1,602	2.77%	78,507	3,393	4.32%
Less than \$100,000	95,706	2,489	2.60%	72,886	3,082	4.23%
Total interest-bearing deposits	<u>304,838</u>	<u>5,385</u>	1.77%	<u>294,647</u>	<u>8,459</u>	2.87%
Federal funds purchased and securities sold under agreements to repurchase	15,673	394	2.51%	13,774	428	3.11%
Federal Home Loan Bank advances	68,278	2,287	3.35%	69,231	2,896	4.18%
Trust preferred capital notes	7,217	317	4.39%	7,217	432	5.99%
Total interest-bearing liabilities	<u>396,005</u>	<u>8,382</u>	2.12%	<u>384,869</u>	<u>12,215</u>	3.17%
Noninterest-bearing liabilities:						
Demand deposits	79,854			78,450		
Other Liabilities	3,014			2,898		
Total liabilities	<u>478,873</u>			<u>466,217</u>		
Shareholders' equity	46,837			45,807		
Total liabilities and shareholders' equity	<u><u>525,710</u></u>			<u><u>512,024</u></u>		
Net interest income		<u><u>19,785</u></u>			<u><u>18,857</u></u>	
Net interest spread			3.54%			3.25%
Interest expense as a percent of average earning assets			1.69%			2.52%
Net interest margin			3.98%			3.90%

(1) Income and yields are reported on a tax equivalent basis using a federal tax rate of 34%.

**EAGLE FINANCIAL SERVICES, INC.****Reconciliation of Tax-Equivalent Net Interest Income***(dollars in thousands)*

	<b>Three Months Ended</b>			
	<b>6/30/2009</b>	<b>3/31/2009</b>	<b>6/30/2008</b>	<b>3/31/2008</b>
<b>GAAP Financial Measurements:</b>				
Interest Income - Loans	\$ 5,698	\$ 5,604	\$ 6,194	\$ 6,491
Interest Income - Securities and Other Interest-Earnings Assets	1,170	1,155	1,209	1,103
Interest Expense - Deposits	1,080	1,328	1,694	2,115
Interest Expense - Other Borrowings	704	739	851	939
<b>Total Net Interest Income</b>	<b>\$ 5,084</b>	<b>\$ 4,692</b>	<b>\$ 4,858</b>	<b>\$ 4,540</b>
<b>Non-GAAP Financial Measurements:</b>				
Add: Tax Benefit on Tax-Exempt Interest Income - Loans	\$ 33	\$ 35	\$ 26	\$ 21
Add: Tax Benefit on Tax-Exempt Interest Income - Securities	154	147	150	153
<b>Total Tax Benefit on Tax-Exempt Interest Income</b>	<b>\$ 187</b>	<b>\$ 182</b>	<b>\$ 176</b>	<b>\$ 174</b>
<b>Tax-Equivalent Net Interest Income</b>	<b>\$ 5,271</b>	<b>\$ 4,874</b>	<b>\$ 5,034</b>	<b>\$ 4,714</b>