

EAGLE FINANCIAL SERVICES, INC

2010 Annual Report



A Letter to our Shareholders

April 1, 2011

Dear Shareholders:

This April marks the beginning of the 130th year of continuous operation for Bank of Clarke County. A "meeting of gentlemen" in 1881 lit the spark for the formation of a bank with a goal of serving our customers and our community – a goal in which we still place extreme value. Although we have grown into a nearly \$560 million company, we continue to uphold the distinctive elements of a small community bank and carry them beyond our origins in order to service additional markets. We still believe that our customers appreciate developing long term banking relationships with our employees. We still believe that many customers enjoy being greeted by a familiar voice on the telephone. And, we still believe that our employees are the embodiment of the community bank spirit that continues to drive our Company in accomplishing its original goal.

This April will also mark another new beginning for Bank of Clarke County as we launch our first market expansion in 19 years. Our new Round Hill branch will open on April 18, 2011 in the old Round Hill Bank Building. The Town of Round Hill has been without a bank since 2003 and we believe that Bank of Clarke will fill that void successfully by providing sound community banking complemented by top-of-the-line technology for the western Loudoun County market. Our entry into this market will be led by Mr. Greg Jay and Mr. Jon Elliott. Greg is a seasoned, respected

lender in the Loudoun area and Jon is an experienced, well-connected branch manager. Both of these bankers will provide great insight as we begin our expansion eastward.



Gregory L Jay

Our growth in Winchester and Frederick County continues, with market share at 11.74%, placing us in the #3 position behind BB&T and Wachovia/Wells Fargo. Our market share in 1992 at the beginning of our last market expansion into Winchester/Frederick County was 1.93%. Our market position in Clarke County continues to be a strong #1 at 82.46%. Our overall market position is #2 with a combined 19.72% share of the market for the City of Winchester and the counties of Clarke and Frederick.



Jon J Elliott

During the past two years of unsettled economic times, we maintained commendable profitability and a steady return to our shareholders. Strong core earnings helped navigate us through the tough economic times as we aggressively provisioned funds to reserve against



Robert C Boyd

current and potential loan losses. We continue to take a proactive and aggressive stance towards quickly addressing problem loans. Mr. Robert Boyd joined Bank of Clarke in 2010 as our Senior Credit Officer. Rob contributes a wealth of Credit Management experience as well as having been a commercial lender in the Shenandoah Valley for many years.

We take pride in being a sound, independent and growing community bank. Our balance sheet grew \$23 million (or 4.4%) during 2010. Fueling this growth was the \$31 million in increased deposits. Our extremely strong capital position has allowed us to grow our balance sheet while other banks have shrunk theirs



Our Round Hill branch at 21 Main Street in Round Hill VA

due to uncertain economic times.

During the last quarter of 2010, the Board voted to increase the dividend by \$0.01. We paid \$0.68 per share during 2009 and \$0.69 per share during 2010. We at Eagle Financial Services are proud of the fact that we were one of only a handful of banks in Virginia that increased its dividend during 2010.

On July 21, 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act in an attempt to deal with the abuses of Wall Street and to provide a solution to the issues that created the financial crisis of 2008. While we do not know the full effect of the law, we do know the law is enormous and complex. As a comparison, the Federal Reserve Act of 1913 was 31 pages, The Glass-Steagall Act was 37 pages and the Dodd Frank Act is 2,319 pages. Areas that may be affected include changes in FDIC assessments, interchange fees, mortgage lending, holding company capital levels, insider transactions and corporate governance. Regardless of the final outcome of interpretation of this law, we will be prepared to devote the time and resources to comply with the new law.

I want to take this opportunity to recognize Mr. Lewis Ewing for his many years of faithful support of Bank of Clarke and Eagle Financial as President/CEO from 1983 to 1999 and as Vice Chairman/Board member from 1983 until his retirement on December 31, 2010. We will miss Lewis' insight and valuable guidance and wish him all the best in his retirement.

I wish to thank the employees of Eagle Financial Services and Bank of Clarke County for their hard and sometimes very stressful work over the past several years. Dedication, experience and old-fashioned hard work have served our Company and Bank well and I thank everyone. As we look back on the previous 130 years of the Bank of Clarke County, we are very proud of our heritage and we look forward to a bright future.

Sincerely,



John R Milleson President and Chief Executive Officer

EAGLE FINANCIAL SERVICES, INC and BANK OF CLARKE COUNTY BOARD OF DIRECTORS

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Senior Vice President/Marketing Director

ELIZABETH M PENDLETON
Senior Vice President/Senior Trust Officer

EAGLE FINANCIAL SERVICES, INC
ANNUAL MEETING

The annual Shareholders' meeting will be held at John H Enders Fire Hall, 9 South Buckmarsh Street, Berryville, Virginia on Wednesday, May 18, 2011 at 12 Noon.

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FORM 10K
A copy of the Company's 2010 Form 10K annual report to the Securities and Exchange Commission may be obtained without charge on the investor relations page of our website (www.bankofclarke.com) or upon written request.

EAGLE FINANCIAL SERVICES, INC
DIVIDEND REINVESTMENT PLAN
Shareholders of record can acquire additional common stock through automatic reinvestment of quarterly dividends. For more information or to sign up, contact the Transfer Agent.